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THE AMERICAN MERCANTILE MARINE

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## PROCEEDINGS OF THE ACADEMY OF POLITICAL SCIENCE

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- Vol. VI, No. 1. The American Mercantile Marine.

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## WHAT CONGRESS HAS DONE TO BUILD UP AN AMERICAN MERCANTILE MARINE <sup>1</sup>

DUNCAN U. FLETCHER

United States Senator from Florida

**I**N 1783 Mr. Pitt introduced a bill in Parliament allowing comparatively free commerce between the United States and the British colonies—more especially the West Indies. Lord Sheffield led the opposition and advised the British government not to interfere too extensively with the Barbary pirates who, because of our insufficient naval force, were in position to continue operations to destroy American commerce. He published a book in 1783, entitled *Observations on the Commerce of the United States*, which passed through at least two editions, in which he said:

The Americans cannot protect themselves (from the Barbary States); they cannot pretend to a navy. In war New England may have privateers, but they will be few indeed if we do not give up the Navigation Act. . . . The want of durability in their timber would make a navy most expensive to them. A country which has such opportunity for farming cannot be supposed to support many seamen. There is not a possibility of her maintaining a navy. That country concerning which writers of lively imaginations have lately said so much, is weakness itself. Exclusive of its poverty and want of resources, having lost all credit, its independent government, discordant interests, and the great improbability of acting together, the circumstances alone of such a vast country, with a third less of people than that small spot in Europe inhabited by the Dutch, are incompatible with strength. Her population is not likely to increase as it has done, at least on her coast. On the contrary, the present inhabitants are likely to fall back on the interior country to get better land, and avoid taxes; and that they may in some future age become numerous as a country of farmers, without markets, can be

<sup>1</sup> Address at the dinner of the Academy of Political Science, New York, November 12, 1915.

expected; but the settlers beyond the Alleghany Mountains cannot become commercial.

Just to indicate how wide of the mark this guess was, we might pause to note that the country which was said to be "weakness itself," now has a population of a hundred million and a national wealth of \$188,000,000,000 — nearly as great as the wealth of Great Britain, Germany and France combined! The comptroller of the currency, in a recent admirable address, stated: "The total annual income of the people of this country from agriculture, from mining, from manufactures, from transportation, from fisheries and other productive occupations is now estimated at \$30,000,000,000 per annum." He places the deposits in the banks of this country — national, savings and state, including trust companies — at approximately \$23,000,000,000 — an increase of \$14,500,000,000 since 1900. Our financiers have just loaned the nations of Europe a sum far in excess of any sum ever loaned at one time by any nation to another or combination of others. Since August 1914, we have paid to Europe a floating debt of \$350,000,000 and have taken up securities held there for investment to the amount of between \$750,000,000 and \$1,000,000,000. But the lamentable fact is that we are situated and are acting with reference to our mercantile marine in overseas trade very much as might be expected from that description of us by Lord Sheffield.

The total number of steamers owned by all the nations of the world on June 30th, 1914, was 30,226, and the amount of the world's steam tonnage was 45,403,877 gross tons. Of this there were registered in the United Kingdom 8,587 steamers, totaling 18,892,089 tons, over 40% of the total tonnage of the world. Under American registry were 1,076,152 tons—a little over 2% of the whole. Since the outbreak of the European war approximately 9,000,000 tons of merchant shipping, about 20% of the whole, have been destroyed, captured, commandeered or otherwise put out of the merchant service. The rates of freight were never so high, the profits of the business were never so great, the demand for tonnage was never so insistent and pressing as now.

How will the need be supplied? We are told that private capital is supplying it for this country, and, as evidence of this, our attention is directed to the increase of work in our shipyards. Let us see to what extent ships are being built to engage in foreign commerce and whether the necessities of our situation are being approached. Analyze the tonnage under construction in American shipyards, as recently reported, and you will find it comes substantially to this:

<i>Merchant vessels</i>	
30 oil tankers, D. W. tonnage .....	264,935
3 molasses tankers, D. W. tonnage .....	17,400
8 colliers, D. W. tonnage .....	32,475
6 lumber steamers, D. W. tonnage .....	22,500
7 combination freight and passenger strs., D. W. tonnage .....	26,200
13 freight steamers, D. W. tonnage .....	64,800
62 barges, lighters, scows, etc., D. W. tonnage estimated .....	50,000
7 sailing vessels, D. W. tonnage .....	13,620
7 tugs, D. W. tonnage .....	1,500
2 yachts, D. W. tonnage .....	1,800
1 floating hospital, D. W. tonnage .....	1,000
146 Total .....	496,230

Five of the oil tankers, 26,400 tons, are being built for foreign owners. Of the general cargo boats only two are intended for strictly foreign trade, to wit: one vessel being built for W. R. Grace & Co., and one for Hind-Rolph Coal and Navigation Co., although the latter may be used as a collier. This total tonnage is 14,000. I am considering the three boats being built for Munson S.S. Co. and one for the New York and Cuba S.S. Co., as being intended for the Cuban service, which is generally regarded as coastwise trade, although technically it is foreign. The total tonnage of these four boats would be about 18,300 tons. Two of the cargo boats in the list are intended for the Great Lakes, two for Puget Sound and one for Delaware Bay. All the other general cargo boats are intended for the coastwise trade except a 9,000-ton vessel being built by the Union Iron Works for their own account, supposedly for speculation. It is very doubtful if any material number of the vessels built for coastwise trade could be used in the oversea trade because of in-

sufficient bunker capacity, to say nothing of other features of their construction.

Under construction in American shipyards the total number of government vessels is 81, of which 69 are for the United States and 12 are for foreign governments. The cost of the work being done for the government is far in excess of the cost of the work being done for private owners. In addition to new work, our shipyards are doing repair work on 207 merchant vessels of all descriptions.

Out of all this extraordinary crowding of the yards the net result is that we have under construction three general cargo steamers intended for foreign trade, giving a total of 23,000 tons—considerably less than one-half the tonnage of one German vessel tied up in New York harbor, the *Vaderland*. Does this look as if private enterprise were taking care of the situation?

Compare what has been done in the United States with what was accomplished in some other countries—in Germany, for example. The whole sea-going steam merchant marine of Germany is of iron and steel, and comprises a relatively large number of the largest, fastest and most powerful steamships in the world. The two largest, wealthiest and most powerful single steamship companies in the world are the Hamburg-American Company and the North German Lloyd. The former is opposed to any subsidy. The latter enjoys a subvention of insignificant amount compared to tonnage and service, and compared to what we pay under our mail contract law. Not until after 1880 did Germany begin to build her steamers. In 1870 it became imperative for the consolidated German Empire to build and equip a navy in its own shipyards. The demonstration there made gave the ship companies confidence and they began building at home, withdrawing most of their former patronage from the British constructors on the Clyde and Mersey. The merchant marine of Germany is under the general supervision of the Department of the Interior.

There are seven German shipping companies, which together have a total of 3,510,000 gross registered tons. There

are in all 43 German shipping companies with more than 20,000 gross tons each. The service has developed a specialty in the establishment of regular lines, and until the war there was line traffic connecting Germany with every part of the world possessing any commercial significance.

In return for the little aid that was extended to the North German Lloyd, the company agreed to (1) fix upon certain termini; (2) establish certain routes, with certain stops; (3) establish branch lines; (4) raise maximum speed to 13½ knots per hour and make all new steamers for this service not less than 6,000 tons; (5) pay heavy penalties for failure to carry out the contract. By this contract the foreign commerce, national influence and progress of Germany were carried to East Asia, Australia, East Africa and the Mediterranean, by separate lines.

The Hamburg-American Line alone, at the beginning of 1913, embraced 74 regular steamship lines. It owned 192 ships, with a gross registered tonnage of 1,254,000. In 1911 this line carried 403,000 passengers and 7,990,000 tons of freight. The next largest company, the North German Lloyd, at the beginning of 1913, possessed 133 ships, with an aggregate of 821,000 registered tons. In 1911 the line moved 514,000 passengers and 3,590,000 tons of freight.

On June 30th, 1915, there were 2,794 vessels of the United States of 1,813,775 gross tons registered for foreign trade. Of this number, 26 steamers of 147,070 gross tons belonged to the Standard Oil Company (New Jersey); 24 steamers of 113,243 gross tons, to the United Fruit Company; and 10 steamers of 48,271 gross tons, to the Steel Corporation; total for the three, 60 steamers of 308,584 gross tons. These totals subtracted from the general total above leave for all other owners, 2,734 vessels of 1,562,950 gross tons. One single German line in 1914 nearly equaled all our foreign trade tonnage.

The Standard Oil ships are tankers built particularly to carry oil in bulk, and their export trade is practically confined to oil. On the return voyage these steamers sometimes carry small amounts of miscellaneous imports. The United Fruit



Company's ships are specially-built ships with refrigerating apparatus, and their import cargoes into the United States consist almost wholly of bananas and other tropical fruits. They export from the United States large quantities of miscellaneous general cargo, and the company's steamers are the largest transportation factor in the export trade of the United States to the countries of Central and South America and the West India Islands, with which the steamers trade. Many of these steamers do a large general passenger business. They carried 700,000 tons of general export cargo from the United States last year.

As to the cargoes of the Steel Corporation ships, my understanding is that in addition to steel products and raw material for steel manufacture, these ships also engage in general commerce. I understand that they operate only a freight service to the west coast of South America and their only passenger boat, the Crofton Hall, to Brazil and River Platte ports.

The cargo boats of the New York and South America Steamship Co. and the Crofton Hall are the only American vessels in the South American trade, excepting the United Fruit Company's ships to Colombia, which are generally classified with the Central American trade.

This is our situation, while for the year 1913-1914 our imports by water amounted to \$1,737,708,653 and our exports to \$2,047,759,859; and for the year 1914-1915 (ending June 30th, both years) our imports amount to \$1,526,269,412 and our exports to \$2,466,356,063. Ships under British flag are our main reliance for enabling us to do this business. Yet such ships under existing conditions are likely at any time to be requisitioned for government purposes, and the British government has recently materially increased its income taxes, of which ship-owners must pay their share, and this will be reflected in further increases to the present staggering freight rates. Again, the British government will not permit Americans to charter British ships. Did not the British government recently, through its Board of Trade, take its entire tonnage away from Argentina and send the ships to Australia for cargoes and thus paralyze Argentina's trade in meat with depressing consequences in other trade?

Our position, then, is one of abject dependence on foreign ships for carrying the great bulk of our overseas commerce. It is imperative that we inquire, How are we to build up, not merely a merchant marine, but an American merchant marine? Not by having American citizens investing in ships sailing under foreign flags and owing allegiance to foreign countries. Not by having Americans invest in ships flying our flag but really owned and controlled by foreign interests. Nor yet by having ships of American registry largely or wholly owned by American citizens but in combination with foreign lines which will have the power to parcel out the routes and the business and fix the traffic rates.

An American merchant marine means, if there be any sincerity in the name, merchant ships having American registry, controlled by Americans, operated by Americans, for Americans, independent of any supervision or influence by any other country or people. It should be ample in tonnage to carry the export and import trade of the United States. It should be operated efficiently and be forever free from foreign domination.

I do not know how this can now be secured except by governmental control. Even if individual enterprise could be developed sufficiently strong and effective to produce an adequate tonnage, privately controlled ocean transportation may serve the purpose today, and tomorrow may join foreign combinations in utter disregard both of investors and the public. The record of the past shows that this has frequently been done. That would mean that the United States, notwithstanding the nominal tonnage under its flag, was still dependent upon other nations for its ocean transportation. We ought to control our own.

As to private control, there are two great obstacles to contend with: First, the capital required to make even a small beginning runs into millions. Where is this capital to be had? Only great concerns like the Standard Oil Co., the United States Steel Corporation and the United Fruit Co. can find the means. They are able to build the ships to carry their own goods to foreign markets. But the great number of pro-

ducers in this country cannot do it, each for himself, nor form sufficient co-operation to do it. The capital required, I apprehend, will be found to be controlled by those interested in maintaining the situation as it is—with practically no competition.

Second, the independent line, when established, is in danger of being confronted with rebates and other practises which may drive it on the rocks of despair. Fighting ships of the combinations have operated heretofore in that enterprising way and are likely to be brought into the same service at any time.

In the *New York World* for Sept. 25th last appeared statements, including one by F. B. Boulton, President of the Federal Forwarding Company, who quite circumstantially charged that "a triple combination" consisting of the British Government, the Netherlands Overseas Trust and the Holland-America Line, is operating so successfully that the profits of the Federal Forwarding Company have been wiped out through the detention of their ships with valuable cargoes, even though the ships had been loaded and the manifests passed by British consular agents in the United States before the departure of the craft. Some independent companies charge that a fourth member, Lloyds', has been added to the combination. Mr. Boulton said: "My company is openly fighting this Holland-America Line. We are giving lower rates, and we could make money at these rates if it were not for the detention of our cargoes."

This shows how little chance the average American has who tries to get into the overseas steamship business in competition with these interests, and argues most forcibly that an American merchant marine for the overseas trades, as distinguished from the coastwise trades, can only be successfully inaugurated by the government.

Take another illustration. It appears that Brazil allows a reduction of duty of 20% on American cement. That ought to insure us that trade. But what happened? A gentleman who has experience in that direction tells me:

The Europeans by an aggressive propaganda in the press have educated South Americans to believe that North American cement is worthless, and as a result England, Belgium and Germany have controlled the markets of those countries for that article. Kraemer & Co., of Rio, received samples of North American cement and decided to give it a trial. They ordered several thousand barrels which were distributed on arrival in Brazil and gave great satisfaction. As a result, Kraemer & Co. placed a big order for North American cement in the United States. The European cement manufacturers were not long in learning of this, and they immediately proceeded to arouse their governments. As a result, the foreign European lines, operating from New York to Brazil, immediately raised the freight rates on cement, absorbing the preferentials given by Brazil, causing the cancellation of the order for American cement, thus compelling the Brazilians to get their supply from England, Belgium and Germany.

This gentleman's view is:

This is only one of the many object-lessons which go to prove that reciprocity with South America, or any other country for that matter, amounts to nothing on paper, unless it is backed up by an American ocean transportation system owned and controlled by Americans and under the supervision of the government of the United States just as our railroads are.

This experience, typical of what may be expected under existing conditions, and the conclusions urged, should command consideration.

It would seem quite clear that we can no longer afford to be dependent upon others for practically the sole means of transporting our commerce. It is not unreasonable to say that their interests must control them, and we know their interests are not always our own. In times of national emergency certainly, and in ordinary times most probably, they will consider their interests first. There is no way we can care for the great and increasing foreign commerce of this country except by having in the hands of Americans the moving bridge between us and other countries. When foreign commercial competitors control the ocean transportation, what can the people of the United States expect?

Through lack of merchant vessels to carry its cotton abroad the South suffered a loss of over \$200,000,000 last year. The farmers of the Northwest for the same reason suffered losses of millions. Phosphate could not be moved at all. Lumber and coal shipments were seriously limited. Our merchants and manufacturers likewise sustained heavy losses and thousands were out of employment who otherwise would have been regularly engaged if the United States had controlled ample fleets of American ships. On occasions we hear quite a little about our independence and freedom. On land the United States is a full-grown man; on the sea, a child in a row-boat without a life-belt.

In transmitting the proceedings of the Pan-American Conference to the President, Secretary McAdoo says:

There was unanimous opinion that two things are essential to the development of trade and improved relations between the Latin-American nations and the United States, *viz.*:

1. The granting by United States bankers and business men of ample credits to Latin America and the prompt provision of the necessary organization and facilities for this purpose.

2. The prompt establishment of adequate steamship facilities between the leading ports of the United States and South America which the conference, by resolution, declared "a vital and imperative necessity."

No one wishes to stifle or hamper private enterprise; but it would be folly to close our eyes to the facts, and it would be inexcusable short-sightedness not to profit by most trying experiences. Those who contend shipping should be left to private enterprise admit that the ocean tonnage of the United States registered for foreign trade has declined from more than two and a half million tons in 1861 (2,642,628) to a little more than a million tons (1,076,152) in 1914. This tonnage, by reason of additions under the Registry Act of 1914, on June 30th, 1915 reached 1,813,775 gross tons. The amount of tonnage entering and clearing at seaports from and to foreign countries has increased, of course, many times since 1861. It is nearly three times as great as it was in 1887. Whereas



American ships under our flag carried 65% of our commerce in 1861, they carried 9.7% in 1914. The vessels of one foreign country alone, Great Britain, carried 53.7%.

With these facts conceded, it is difficult to follow the logic of the argument which commits us to the course heretofore pursued as the best or the acceptable method of building up our merchant marine. The irresistible conclusion must be that by pursuing that course our flag will inevitably vanish from the seas, as it has been gradually doing during the past fifty years.

Our tonnage engaged in coastwise and inland trade has steadily increased for many years. On the Great Lakes especially is employed a fine and powerful merchant fleet—610 vessels of 2,352,264 tons. Its development has been most gratifying and it is pleasing to note, that without any subsidy or subvention of any kind, there we have an example of the cheapest and most efficient means and method of taking care of water-borne commerce in the world. None but American ships can engage in this coastwise and inland trade, and these are exempt from tonnage dues. This has always been our policy and the law. We have no serious problem regarding our coastwise and inland service. There is no complaint of insufficient ships or inadequate service.

In speaking of merchant marine here, we have reference to merchant ships engaged in the overseas trade. What laws affect these? We hear it averred by people who plainly do not know what our navigation laws are that they are antiquated and constitute a large factor in causing the decay of our merchant marine. The challenge to point out such laws has been met by silence or meaningless generalization. It is true that selfish interests did begin to make themselves felt in the making of the constitution, and subsequently in absurd laws. Later those who, in a mistaken way, thought they should benefit the shipyards, no matter at what cost to trade and commerce, by creating monopoly and giving high protection for their benefit, did write into statutes provisions which had the effect of harming the special industry they were aimed to benefit and seriously injuring shipping.

But away back in 1880 began a crusade to do away with these laws, and gradually as their bad effects became apparent, they have crumbled, until today the only feature of our navigation laws designed solely to protect shipbuilding and establish monopoly which remains on the statute books is Section 4347 of Revised Statutes, providing that foreign-built vessels cannot engage in the coasting trade of the United States. Even this does not, of course, affect the American merchant marine in the foreign trade.

Our first registry act (the eleventh law passed by the American Congress) was passed Sept. 1st, 1789, and restricted American registry to ships built in the United States or ships not built in the United States but belonging to citizens of the United States on May 16th, 1789. On December 31st, 1792, Congress passed a registry law, more elaborate in detail, taking the place of the first and maintaining the same essential principles, excluding foreign-built ships from American registry. That was changed in 1912 and completely repealed in 1914, so that ships may be built or purchased anywhere and admitted to American registry for foreign trade, but, as heretofore, ownership of American ships is restricted to "citizens of the United States, or a corporation organized under the laws of the states thereof." But this has been held not to prevent foreign capital to an indefinite extent being invested in a corporation owning American ships.

Other laws provided that the master of an American ship, and all the officers in charge of a watch, including the pilots, must be American citizens. In 1914 Congress authorized the President by executive order to suspend this requirement for a period of seven years, which he did.

Since 1871 foreign materials for shipbuilding have been admitted free of duty. Since 1909 such materials, as well as all articles necessary for the outfit and equipment of ships, have been duty-free, with this proviso, that vessels receiving these rebates of duties "shall not be allowed to engage in the coastwise trade of the United States more than six months in any one year," except upon payment of the duties remitted; and that vessels built for foreign account and ownership shall

not engage in this trade. The Panama Canal Act of 1912 and the Tariff Act of 1913 provide for free materials and equipment for ships in the coastwise trade as well as the foreign trade.

The Tariff Act of 1913 (Paragraph J, Subsection 6) provided for a reduction of duties of 5% on all goods imported in American bottoms. This provision is in question in the courts.

The only other law I can recall which might be cited as bearing on the subject is what is known as the Seamen's Law, passed in 1914, going into effect November 4, 1915 as to vessels of the United States, and March 5, 1916 as to foreign vessels, except such parts as conflict with treaties or conventions, and those take effect on the expiration of the period fixed in the notice of abrogation. This law is being vigorously assailed by shipping interests, but of course it has neither helped nor hindered American shipping in the past. It contains 20 sections. Shipowners insist on amendments changing one section and striking out three. Sixteen sections are generally approved. But we hear very little of anything good in the law. I will refer to this law later.

For some years past steel ships have been purchased more cheaply abroad than at home. American capital purchased ships abroad and operated them under foreign flags. This was done by forming corporations in foreign countries—Americans holding practically all the stock—because all countries have required that the owner shall be a citizen or subject of the country whose flag the ship flies. The corporation, organized under the laws of a country, is regarded as such citizen or subject. Foreign-built ships owned by Americans in fact, but of record by foreign corporations, have about equaled in tonnage ships registered under the American flag for foreign trade.

The Democratic national platform in 1880 declared for "free ships and a living chance for American commerce on the seas and on the land." The Panama Canal Act of 1912 was the first firm, direct step in the accomplishment of this end. Even under that, after many years of effort in that

direction, only foreign-built ships less than five years old, owned by Americans, were enabled to raise their own flag. Sec. 5 of the Panama Canal Act of Aug. 24th, 1912, allowed foreign-built vessels, steam or sail, certified by the steamboat inspection service as safe to carry dry and perishable cargo and not more than five years old, to be registered for foreign trade, including trade with the Philippines, Guam and Tutuila.

In March 1914, before there was even a rumor of a European war, Secretary Redfield asked for the passage of the Registry Act of August 1914, which eliminated that limitation as to age and affirmed in full the traditional Democratic policy. This measure, enacted and put into operation during the present national administration, has been a distinct and undisputed success. It has brought, as already stated, our tonnage registered for foreign trade from 1,076,152 tons on June 30th, 1914, to 1,813,775 gross tons in 1915. Of course this does not mean that that much new tonnage has been built or acquired during that time by American owners. Most of this increase resulted from the transfer of American-owned ships from foreign to American registry, which the Registry Act allowed.

The Act of June 28th, 1864, provided that "officers of vessels of the United States shall be in all cases citizens of the United States." Many vessels, otherwise eligible to registry under the acts of 1912 and 1914 above mentioned, carried officers who were not citizens of the United States, and these vessels desired to take American registry. The Dollar Line, with English officers, was among those desiring to qualify. Accordingly, pursuant to Sec. 2 of the Ship Registry Act of Aug. 18th, 1914, the executive order of Sept. 4th, 1914, was issued permitting alien officers on ships admitted to registry to serve until Sept. 4th, 1921.

It has been charged that our plan of tonnage measurement is unfair to ships under our flag. This, like certain other criticisms of the laws, is without justification. There is no need of any new legislation on that subject. The Commerce Department has made regulations practically adopting the British regulations as to measurement, so there is now no adverse discrimination in tonnage dues.

Someone may ask, "What about the Seamen's Law which went into effect on the 4th of this month?" I will give a few facts about that law. It has been so roundly abused, in large part, if not wholly, unjustly, that great prejudice has been created against it. The mere mention of it has got to be as alarming as the mark of the beast in Revelation. It certainly has some admirable provisions and apparently few objectionable ones. Perhaps these can be improved or eliminated. It would have been fair to wait until the Department of Commerce had construed it and adopted regulations under it before indulging in violent denunciation. While we are getting it into operation and seeing how it works, it may help the patience of our friends, the ship-owners, to reflect on the old teaching of the vikings that "whoever was never wounded was never happy."

It has been claimed for years, I believe, that by reason of some laws or regulations respecting seamen on our ships, the cost of operating under our flag is greater than under foreign flags. These laws or regulations have to do with the number, the accommodations and the food of the crews on each ship. It is also claimed that American crews demand higher wages than crews on foreign ships. It is now claimed that the Seamen's Law will increase this difference in operating expense to our disadvantage.

In the first place, I have no sympathy with those who ask that sailors on American ships be put on a level as to wages and treatment with the seamen of certain other countries. In the next place, if we are to ever have a naval reserve, we should have trained seamen to man the vessels. We must make it worth while for our young men to go to sea. In time of trouble it would be a hazardous situation for us to be dependent on foreigners to man our vessels and fight for our flag. Their native land might be involved and such seamen might refuse or do worse. Suppose the Seamen's Law does subject the lines to some extra expense; they could scarcely feel it. Refer to the statement in the *New York Journal of Commerce* of Oct. 27th last, under the heading "Mercantile Marine Makes Large Gain in Earnings." Among other things, it says: "At



the current estimated rates of earnings the International Mercantile Marine is earning net profits of between \$65,000,000 and \$70,000,000 per year."

The wages of crews for American ships cannot very well be reduced by any legislative act. The only practical alternative is to endeavor by legislation to make a free market in American seaports for the hiring of seamen. Heretofore, if a seaman arriving in an American port on a foreign ship left the employ of his ship, he was arrested as a deserter and returned to his ship. This sort of servitude exists in no other vocation. The Seamen's Act does away with this. Hereafter, seamen arriving in American ports may leave their employment without fear of arrest, though they will forfeit half their wages. This great addition to the supply of available seamen for American ships must tend to reduce the seamen's wages on American ships, if unduly high. At the same time, it will cause owners of foreign vessels to increase the wages of their seamen to keep them from leaving. As a result, seamen's wages on American vessels and foreign vessels will become equalized. I find that the strongest objection to the Seamen's Act on the Atlantic coast comes from foreign shipping interests. As to the action of the Pacific Mail abandoning their trans-Pacific service, it would take too much time to go into the subject fully, but I may assure you that there is nothing in the Seamen's Act which necessitated their action. Mr. Justus Wardell, surveyor of the port of San Francisco, has just made a report in which he shows that on every trip which the Pacific Mail steamers "Mongolia" and "Manchuria" made, the Pacific Mail Company cleared \$128,000 net. Each of these steamers made about eight trips a year. Surveyor Wardell reports that a Pacific Mail official stated to him that compliance with the Seamen's Act would have necessitated changes in the engine-room only. These changes, Surveyor Wardell reports, would have cost the Pacific Mail only \$1,000 a month extra. Figure it out yourself. Net annual profits of each ship, \$1,024,000. Increased cost of operation on account of the Seamen's Act, \$12,000. The fight on the Seamen's Law assumes the attitude of a contest between

the decent instincts of man and his gainful appetites. There are those who say that the Pacific Mail quit because they had to make good on their original announcement in view of the furore that the press had made over it. At any rate, they were able to cash in a good big profit on the transaction, sufficient to more than double the market price of the company's stock. It is said that one of these ships loading on the Pacific Coast will earn two-thirds of her cost on the single voyage to Europe. Although they absolutely abandoned their patrons who furnished all the business they could take care of and turned the bows of their ships from the Pacific to the Atlantic, sold and transferred them, they are still operated under the American flag, and the Seamen's Law applies as well in one ocean as the other. This kind of thing emphasizes the view that we are confronted with an absolute necessity that some agency shall right now provide steamship service under our flag between the United States and foreign countries.

It will not be denied that we have today — and they may pass soon if not taken advantage of—marvelous opportunities for extending our trade throughout the world. When gentlemen say that our laws and regulations deter or stand in the way of re-creating a merchant marine; when they say that they have been forced to give up the Pacific entirely and that they cannot compete on the ocean with foreign lines, all they say but furnishes unanswerable argument that it is the duty of the government to step in and supply the ocean transportation facilities which it is of vital interest to the whole country should be had and maintained. We get the trade we want by going after it. We can make and sell in the foreign markets of the world, when transportation facilities are provided at reasonable rates, just as good articles for as little money as any other country. No individual country need dominate the seas. Our export trade should materially increase with the Orient and Latin America, and it will if ships flying the American flag are put in operation to open up the routes and maintain a permanent and proper service.

Is a great, powerful, rich country like the United States to

surrender to a combination of shipping interests, throw up its hands, and confess itself absolutely helpless and hopeless, and unable to keep its flag on the seas, to protect its commerce, to take the surplus products of its fields, mines and factories to the waiting markets of the world, there to exchange them for the things we need in those markets, settling the balance in bills on our financial centers, expressed in dollars and cents? For fifty years we have hoped that individuals would engage in that most profitable business with American ships. Our chief investors in shipping have solemnly said that "free ships" would not induce them to give their ships American registry under normal conditions. Although the legislation for free ships will help, as it has already helped, when peace is restored our flag will be hauled down on many vessels, we are told; and if that be true, our problem will remain unsolved if we rest where we are.

We have noted that our exports increased this year over last. We have observed that our shipyards are working to capacity. We have seen American tonnage increase since the Registry Act of 1914 went into effect, and the percentage of commerce carried in American bottoms increase. But we must face the facts, on the other hand, that our imports have decreased; that over \$700,000,000 of our exports are solely for war purposes. Freights have gone mountain-high and in some instances are prohibitory—instance phosphate, coal, lumber and other products. Some of our products cannot be moved at all over sea where the markets are. Our yards are busy mainly with naval work, and very little new construction of merchant ships for foreign trade is going on. The world's ocean tonnage has greatly decreased. Export of "regular merchandise" for the year ending June 30th, 1915, is nearly \$200,000,000 less than in 1914. To North America the decrease was 52 millions, 10%; to South America, 25 millions, 20%; to Oceania, 6 millions, 7%. The present year, it is claimed, we have exported only 32% as many agricultural implements, 52% as many sewing-machines, 33% as many steel rails, as we did in the year before the war. The figures show, too, that we are actually losing our exports to the neutral countries faster than to the belligerents.

However, the trade is not only ready for us, but insistent. If we had the carriers now our foreign commerce would enormously increase. This is shown by the comparison of the exports for the eight months ending August 1915, with those of the eight months ending August 1914, which ought to be mentioned in connection with the estimate for the year just given. The strong tendency is for our exports of "regular merchandise" to assume normal proportions even now. For instance, in the exports to Europe in the eight months last mentioned there was an increase of 857 millions, 109%; to North America an increase is shown of nearly 3 millions; to South American, an increase of 21 millions, 32%; to Asia, a gain of over 28 millions, 46%; to Oceania, an increase of 12 millions, 24%; to Africa, an increase of 5 millions, 31%. The total of our exports grew 920 million dollars in these eight months, or 70%.

Do not doubt, however, that our exporters are paying foreign ship-owners dearly for this business. The rate on grain to Liverpool is 40 cents a bushel, while before the war it was 4 cents. The rate on flour has gone from 12 cents to 65 cents a hundred pounds. On provisions the rate is increased from \$5 a ton to \$1 a hundred pounds. On cotton the rate is \$1.25 where formerly it was 20 cents a hundred pounds. Eastern railroad terminals are congested, due to lack of ships. Freight continues to pile up at the ports. No law controls ocean rates. We may expect to pay foreign shipowners their own price, and that price will be higher yet.

Once upon a time Illinois owed millions to Europe; she could not pay because her chief means of raising money, the grain crop, could not avail for the reason that there was lack of cheap transportation; and again, foreign corn laws excluded her wheat from a market in the land of the creditors. Repudiation was threatened, but with rugged honesty, by persistent industry, after a time the debts were fully paid.

Our markets can be restricted or eliminated without resort to import laws—control of the means of transportation is sufficient. The welfare of our producers is in peril, the necessary equipment of the nation itself is incomplete when we are de-

pendent on foreign vessels to reach markets. The government can bring about public control of terminals. It can do away with the differentials complained of. It can regulate rates on the ocean to a great extent. It can arrange for through bills of lading and reasonable traffic agreements with connecting land carriers. All of these matters which have been mentioned as needing correction can be remedied—matters which individuals cannot reach and which materially affect the water carriers.

The same provision that the government would work out through the shipping board for the ships under its control it would assist in arranging for all other lines. I cannot escape the strong conviction that our problem can be solved only along the lines of the amendment to S. 6856 offered January 26th last. I do not mean to take an arbitrary position. If anything better is proposed or any modification is suggested that reasonably promises to improve existing conditions more certainly and speedily, to serve the ends of justice for all concerned, to take care of the public interests and achieve the common good, I should lend it what support I could.

We have seen what the situation is. Although the minority report on the Ship Purchase Bill (S. 6856) argued that there was no occasion to be disturbed, that really a let-alone policy was probably the wisest after all, in effect that there was no call for Congress to do anything, I think it may be agreed that there is widespread demand for resuscitating our merchant marine. The truth is, delaying action thus far by filibustering to death the bill before the last Congress has resulted in a loss of hundreds of millions of dollars to the people of the United States in extortionate freight charges and loss of commerce.

The records show that enormous profits were made in foreign shipping before the war. No doubt foreign shipping people will continue to charge American merchants the last cent the traffic will bear. Even before the European war there was no certainty or stability about rates on bulk freights. Since then contracts have been violated, agreements disregarded, quotations ignored and charges fixed (irrespective of



previous agreements) at whatever the shipowners chose to name.

The cry of socialism and paternalism has been raised. A mere name, however violently shouted, does not frighten me. That cry has been raised before. Paternalism and socialism were shrieked when other legislation which put the government into private business and which the people would not countenance repealing now, was proposed and enacted. I might mention as attacked on similar grounds the postal savings law, the parcels-post law, the rural free-delivery law; even the five acts in reference to agricultural education, establishing agricultural colleges and providing for agricultural extension work; respecting the Panama railroad and steamship line which was taken over by the government; providing for the construction by the government of a railroad in Alaska; even the measure for building of dams for power and irrigation purposes, the government manufacturing its own cement. The bill to establish the federal reserve system was criticized on similar grounds; also the law creating a bureau of marine insurance in the Treasury Department of the government, without which most of our export trade since the war would have been impossible. Similar protests and dire predictions were heard when the interstate commerce commission was established under the administration of President Cleveland in 1887. Railroad authorities themselves pay high tribute to that great commission, and I think it is quite universally conceded that it is an absolutely necessary portion of our governmental institutions. Legislation definitely creating a permanent merchant marine will enable the American people to assert and protect their rights and interests in the vital matter of ocean transportation and overseas trade—and I know of no other way of reaching that point or accomplishing that result.

There is no use to discuss subsidy. It so happens that the United States now grants to four ships a larger subsidy, about \$750,000 a year, than is granted by any other country in the world for similar service. The favorable mail contracts now provided for by law are the only subvention the government

will give. It is remarkable how futile these have been in the building up of our merchant marine.

Contrary to general impression, the merchant marine of the maritime nations of the world receives no subsidy. Mail subvention for fast mail and passenger service, yes; but a subsidy such as some of the opponents to the government merchant marine ask for, no; the great bulk of the world's ocean commerce is carried in the lowly "tramps" or non-passenger cargo boats, which never received one cent of subsidy from any country. It can be shown that the normal profits of ocean steamers are so large that it is absurd to talk of subsidies as a remedy for our shipping plight. Since the facts are becoming better known, those who advocate subsidy are becoming fewer in number.

I believe I have made clear that none of the remedies advanced by opponents to a government merchant marine will do. Our present navigation laws are not at fault; subsidy is out of the question; and private capital will not or cannot provide an adequate American mercantile marine for the overseas trade.

The only objections I have heard advanced against a government merchant marine are three: First, it is socialistic. I believe I have answered that.

Second, it will check private enterprise from going into the overseas shipping business. What has private enterprise done in all the years past towards building up an American merchant marine? Practically nothing. Three ocean carriers under construction in a year and a half just past, when our trade was distressed for ships, is what individual or private enterprise has given us. From the standpoint of supplying the demands of commerce and trade, from the standpoint of the needs of the army and navy, from the standpoint of taking our rightful place on the seas, from the standpoint of urgent national necessity, the call is for mail and cargo ships, convertible as may be required into auxiliaries and transports. There is no way open to us but for the government to lead off right now in responding to that call. The government will never encroach on any routes that are being taken care of by private steamship lines, under the American flag.

Third, it is said that the government merchant marine will be a financial failure. I am afraid that is just what many who oppose the measure fear it will not be. I am assured by practical steamship people that it will be almost impossible for the government merchant marine to lose money; that the profits in ocean shipping are so large in normal times, and particularly so at present, that it is inconceivable that any shipping enterprise carried out on the scale this would be can lose money. On the contrary, I am assured that satisfactory profits can be earned after making very material reductions in freight and passenger rates. The reports of earnings of numerous steamship lines which I have seen fully bear this out.

The *Washington Post* of November 1st published a "special" from New York, which carried this statement:

The mercantile marine of Great Britain has reaped such a golden harvest to its financiers as makes Arabian Nights' dream of wealth. They have been allowed by the government to increase freights from 500 to 600 per cent, the complete removal of German competition from the high seas and the arbitrary regulation of American competition having given the Britishers an absolute monopoly. Old vessels which eighteen months ago could hardly have been sold at breaking-up prices of \$50 or \$60, have found ready purchasers at from \$125,000 to \$300,000, and in many cases have paid for themselves in a single voyage.

A large London importer of corn from South America, while gloating over his profits on freight rates, which have risen from 10 shillings per ton in the first half of 1914 to 75 shillings per ton at the present, considered it a matter of the highest importance that the government should take steps to prohibit any and all competition from neutral countries, especially from the United States.

The Cunard Company has paid a dividend of 20 per cent, despite the loss of the *Lusitania*, with consequent suits for damages by the families of the victims, which amounted to an enormous sum, and despite submarine perils, which at different periods practically cut off the passenger traffic on English ships from American ports. Frederick Leyland & Company are paying only their usual dividend of 10 per cent, but they have this year erased from their budget all arrears accumulated during the past three years. The Empire Transport Company acknowledges that its net profits for this year are an

increase of 100 per cent over the net profits for the period from June, 1913 to June, 1914.

The London-American Maritime Company, organized in June of last year under the special protection of the British government, has earned in its first year dividends of 27 per cent on its ordinary shares, while the holders of preference shares get an additional  $11\frac{1}{2}$  per cent, or  $38\frac{1}{2}$  per cent.

The *Journal of Commerce* of October 28th last says:

American exporters as far as trans-Atlantic trade is concerned, are facing a condition of acute congestion in shipping facilities and of unprecedentedly high ocean transportation charges. Ship owners are reaping a veritable bonanza.

Under date of Oct. 27th last the *Journal* gives the statement of a railroad official that the railroads coming into New York are handling the largest amount of traffic in their history, and the congestion at terminals is likely to be the greatest ever seen, due to the inability of ship lines to move the freight sent to this city, "which is already sufficient to fill five times over every vessel available for export purposes."

With freight embargoes at Galveston and threatened at New York, can there be any doubt that the absence of ships is holding back the movement of our commerce? There is serious need of American ships in the Australian trade. This commercial situation is pressing and I have by no means exhausted it.

Resolution No. 317, 63d Congress, 2d session, introduced by my distinguished friend who is to follow me, Mr. Weeks, suggested the use of the cruisers Columbia and Minneapolis and the scout cruisers Salem, Chester and Birmingham in the merchant service between the cities of New York and New Orleans and the city of Valparaiso, Chile, and intermediate ports. The annual cost of operating the Columbia and Minneapolis would be \$342,330 for each vessel. The annual cost of operating the Salem and Chester would be \$341,080 for each vessel. This would not include the expense of the shore establishment for operating the line. Each of the vessels could accommodate

only 15 to 20 male passengers and 150 tons of freight. The total gross income from passenger fares and freight for each vessel would be \$91,000 annually. The expense for operating the four vessels, exclusive of shore expenses, would be, per annum, \$1,366,820. The gross possible income for the four ships would be \$364,800. Of course, this scheme is out of the question.

Quite a different result would be reached with vessels about 10,000 tons deadweight, including 1,500 tons bunker space, leaving 8,500 tons deadweight space for cargo, with accommodations for 100 first-class passengers and about 75 intermediate passengers, speed to average 14 knots per hour fully laden—cost of construction in American shipyards not exceeding \$1,000,000 each. Instead of a loss of over a million dollars a year, the net annual earnings of four such steamers can be shown to be reasonably estimated at \$2,084,000.

However much we may differ on the question of our commercial necessities, we must surely be of one mind that reasonable preparedness requires that we have auxiliaries and transports, and they may be operated in the merchant service in times of peace, which we hope would embrace their lives. Last January, when the Ship Purchase Bill was before the Senate, I gave as one of the reasons for its passage our need of naval auxiliaries. I pointed out that Great Britain with all her naval establishment nevertheless found it necessary to commandeer about 1,500 merchant vessels. The need grows on us.

The government is compelled to build and acquire ships to meet the necessities of the navy. Naval auxiliaries are a certain and controlling need. These auxiliaries can be constructed so as to serve commerce in time of peace and to be made ready to serve the navy in times of threatened or actual war. It is an arm of the national defense which must be developed and made serviceable.

At least 400 vessels are required now for this purpose. This would make a good start toward a merchant marine, government owned and controlled. Secretary McAdoo says in his report on the Pan-American Conference, to the President:



I am informed by the Navy Department that, in order to bring our present navy up to its maximum usefulness and efficiency in time of war, there is needed 400 merchant vessels of approximately 1,172,000 gross tonnage of varied character and requirements; that in addition to this, "should our own coast be invested or even occasionally visited, there would be required a large number of small vessels fitted for mine sweeping, say, 324 vessels of about 150 gross tons each". We have only a small portion of the required tonnage in suitable merchant vessels of the larger units registered under our flag.

My time is exhausted and I shall not be able to consider this phase of the subject further. Indeed, a mere statement is sufficient. Elaboration would be superfluous in a gathering of intelligent and patriotic citizens like this.

Thought, however mature, conviction, however deep, get us nowhere until they begin to operate in will and act. Merely recounting with reiteration the deplorable situation, and nothing more, evidences a species of cynicism, an unhealthy state of mind—lays no keels.

There never was a time when a change in shipping conditions would be less disturbing and more advantageous than right now. Now is the best possible time to inaugurate such changes. Nothing will be gained by delay. We have all the information upon which to act. Satisfaction with present conditions means a sacrifice of golden opportunities and an inexcusable lack of proper conception of our responsibilities.

Monetary and trade supremacy had its inception on the banks of the Nile. It moved westward to the shores of the Mediterranean and thence further westward out into the open sea of commercial activity. It passed from Portugal to Spain, then to Holland, then to France, and then to England. Venice, Lisbon, Amsterdam, Antwerp succeeded each other as centers; then London, the frontier town of the Middle Ages, at last supplanted them all.

The earlier struggles were directed to the attainment of some particular national supremacy and that was to be founded on monopoly. That meant trouble. But the distinctive feature of commerce today is its international character. It is not a question of monopoly or particular supremacy; it is a

question in large measure of leadership, and in this the factors are natural advantages, better methods, better facilities of exchange, efficient and economical service, a sound currency and financial system and the freest markets. I have seen it averred that in all the world's history nothing has had lasting importance like trade. Pitt declared, "British rule is British trade." Chamberlain expressed the same thought in the statement, "The Empire is Commerce."

The marvelous resources of the United States, her financial strength and facilities, the awakening of the East and the promising outlook in Latin America, the Isthmian Canal, the opportunities for forming new commercial ties, the relations founded on a better understanding and mutual good will towards all the world, mean, if we but discharge our responsibilities, the establishment of commanding centers of trade in the United States and drawing westward again commercial leadership.

The great English poet and dramatist gives us this picture:

Antonio is sad. Salarino says to him—

"Your mind is tossing on the ocean,  
There, where your argosies with portly sail,  
Like signiors and rich burghers on the flood,  
Or, as it were, the pageants of the sea,  
Do overpeer the petty traffickers,  
That curtsy to them, do them reverence,  
As they fly by them with their woven wings."

To which Antonio replies—

"Believe me, no; I thank my fortune for it,  
My ventures are not in one bottom trusted,  
Nor to one place; nor is my whole estate  
Upon the fortune of this present year,  
Therefore my merchandise makes me not sad."

## THE AMERICAN MERCHANT MARINE <sup>1</sup>

JOHN W. WEEKS

United States Senator from Massachusetts

THERE is universal agreement that some action should be taken which will build up our merchant marine engaged in foreign trade. The arguments in favor of this proposition are well known, having been frequently discussed in and out of Congress in recent years. It may not be out of place, however, to state one of them which has been much criticized. We are paying to steamship lines owned in other countries about three hundred million dollars annually for the purpose of transporting our products to their markets and bringing to our shores those articles which we need. This has an important influence on the efficiency of our navy, and it adversely affects our exporters by compelling them to deliver their goods through the medium of their competitors. Moreover, we have recently had brought to our attention in a most striking manner the fact that if we continue such a policy our foreign trade may be paralyzed if, as a result of a foreign war, the ocean-carrying trade is not in the hands of those combatants which control the seas. At this time, if it were not for the supremacy of the English and French navies, we should have been prevented from delivering the greater part of the products which we have sold Europe during the past year.

It has been contended that the fact that we are paying three hundred millions of dollars to foreign steamship lines is no argument for an American merchant marine, but that statement can only be supported by those who believe in a complete free-trade policy. If we had ships enough to carry our overseas commerce, there would be required many hundreds and probably a thousand additional vessels flying the Amer-

<sup>1</sup> Address at the dinner of the Academy of Political Science, November 12, 1915.

ican flag. To build this fleet would require an expenditure of hundreds of millions of dollars for materials and labor. The construction and maintenance of such a fleet would require additional drydocks, new ship-building plants, and many other facilities. Therefore, it is safe to say that probably from a quarter to a half million American citizens would be required for this additional service on both land and sea. It would mean the purchasing of great quantities of supplies for this fleet, largely in the United States, and every section of our country, including several hundred industries now established, would benefit by this activity; so that if we take some action to provide for the building and operation of American ships it will only mean the extension of that general protective policy in which a majority of the citizens of the United States firmly believe. It should not need demonstration to prove that as long as it costs more to build ships in this country than in any other, and as long as it costs materially more to operate them under our flag, we cannot go into the ocean-carrying trade in competition with our rivals unless we take some action to offset these differences.

We have an illustration of the result of one form of protection in the upbuilding of our coastwise carrying service. Long ago, following the course of most other countries, we made a monopoly of this service for our own citizens, a monopoly which has not in any degree, however, been harmful to the shipper or the passenger who uses such means of travel, because the operation of coastwise ships has been open to every citizen and the competition has resulted in the development of a large merchant fleet engaged in this service. Indeed, it is not, and has not been for many years, an especially profitable trade, as is demonstrated by the annual statements of the regular companies engaged in the coastwise service. Until very recently, at least, the property of any of the well-known companies engaged in this service could have been purchased at less than its replacement cost; so if foreign vessels had been allowed to enter this trade, as has sometimes been advocated, and if their entry had brought about lower rates, it would have necessarily meant driving the American-

owned and operated ships out of the business, resulting in our losing our coastwise as well as our foreign carrying trade, the closing of many of our shipyards and a material injury to every one of those businesses which have contributed to the building up of this service.

When, however, we go beyond the three-mile limit, we are in open competition with the rest of the world and, as I have suggested, there is no way to meet that competition, at least until the service is thoroughly established, except by employing artificial means. The logical and business-like course in providing for this condition is to adopt the practises of other countries, which would mean some kind of encouragement in the form of subsidies or mail subventions.

During the last fifty years there have been various attempts to adopt some method which would accomplish this result, but the only one resulting in legislation of any value is the Act of 1891, which provides for a mail subvention under restricted conditions. Under the provisions of this law we have one line of ocean steamships to Europe employing four reasonably good ships, although they are not by any means up to date; we have a line to Caribbean Sea ports, employing two ships; the Ward Line to Cuba and Mexico; and, until the passage of the Seamen's Act by the last Congress, we had on the Pacific one steamship operated by the Great Northern Steamship Company and four ships sailing under the flag of the Pacific Mail Company. The ships operating on the Pacific Ocean have within thirty days been sold, so that there is not now a single American ship engaged in the regular trans-Pacific service. We have turned over the carrying trade on that ocean, as far as we can do so, to the Japanese, the ships of which country will hereafter carry our mails, our passengers, and our goods, even those going to our own dependencies. It is worth while noting that already action has been taken by those in control of ocean-carrying affairs in Japan to compel Japanese subsidized ships to give a preference to the carrying of Japanese goods. The great falling off in our trade with Australasia, China and Japan during the last two years indicates the inroads which are sure to be made on what is left by the activity of Japanese manu-



facturers and merchants supplemented by their control of the carrying trade. It is noticeable that those who consistently oppose mail subventions and subsidies of all kinds have never attempted to repeal the Act of 1891 even when they have had the power to do so.

The law which seems effectually to have legislated our ships from the Pacific should be given a few moments' consideration. With the exception of the paragraphs to which I shall make special reference, it provides for the manner of filling vacancies caused by desertion, the method of manning vessels, the payment of men, the manner of making complaints to American consuls in foreign ports, providing suitable berthing space for the crew; it relates to discipline and penalties, abolishes corporal punishment, defines the duties of consular officers, provides for the food to be supplied the crews, relates to the attachment of wages, contains provisions for safety at sea, and prohibits arrest for desertion. All of the foregoing provisions are along humanitarian and proper lines and would not greatly affect or add to the cost of operating a ship. The remaining provisions, however, are objectionable; in fact, they seem to be fatal. I will briefly describe them.

The language test provides that seventy-five per cent of the men in each department on board ship shall understand the orders given by the commanding officer, and this provision also relates to the employment of able seamen. The language test was undoubtedly inserted to prevent the employment of Chinese and Japanese, who have been very generally employed on ships of all nations operating on the Pacific for many years. They are paid from eight to fifteen dollars a month, while the pay for white men similarly employed is about fifty dollars a month. Therefore, if these Orientals cannot be employed it places a tremendous handicap on the ship which may not employ them. Generally speaking, on all such ships the petty officers are of the same nationality as the members of the crew and there has been no impairment of efficiency on account of the lack of knowledge of the English language on the part of the crew. More than thirty years ago I crossed the Pacific on an American ship on which substantially all of the sailors were Chinese.

The able seamen provision would not be important if there were enough such men to man our ships, but there are comparatively few men who can qualify; so there might, and probably would be, delays at times in obtaining men who could come under the provisions of this law, providing that any reputable citizen may make a sworn statement that the paragraph relating to able seamen and the number of men who can speak the language of the commanding officer is not being complied with, in which case the collector of customs must, before giving a clearance to the vessel, determine the facts. This is a new and unusual way of providing for the enforcement of a law and places the sailing of a ship at the mercy of any private individual, even one who has no more substantial foundation than a grievance against the company, quite likely causing a considerable delay, which would, of course, incommode passengers, prevent the prompt delivery of mails, and possibly result in damage to freight. Any professional agitator would have it in his power to blackmail repeatedly a steamship line if this provision remains in the law.

Another serious objection is the requirement to make payment at any port of one-half the wages of the crew earned up to that time. Generally speaking, there is no reason why men should receive a considerable part of their pay at any other port than that of departure, for they are supplied with all of their real needs on board ship. The compelling of the payment of half their wages would simply put a premium on desertion, and might therefore greatly embarrass the sailing of a ship. It is well known by those who have followed the sea that sailors in a strange port are apt to become entangled in many objectionable ways, waste their money, and render themselves unfit properly to perform their duties when the ship sails. There is absolutely no compensating reason for this provision, and I believe it is directly against the interests not only of the ship but of the men themselves.

The law further provides for the abrogation of treaties in order to carry out its provisions. Many of these treaties relate to commercial affairs, and as a result of their adoption there has been a great increase in our foreign commerce. Therefore,

their abrogation not only will produce friction but may considerably reduce the volume of our trade.

The law also provides that the advance in wages to the men shall apply to foreign ship-masters engaged in trade with the United States, which would mean, of course, that foreign ships landing in our ports would lose a very considerable part of their crews every time they touched at one of our ports, so that they might be prevented from sailing promptly on that account. It is an entirely new and unwise attempt, I think, to dictate to foreign nations what action they shall take in matters of such vital importance to themselves. All these provisions to which I have referred in detail should be repealed if we expect to retain even the comparatively small tonnage which we had engaged in foreign trade when the Seamen's Bill was passed.

The principal immediate beneficiary of the Seamen's Act is Japan; and yet the people of Japan, notwithstanding the advantage which their marine receives, are evidently amazed at our stupid action. As an indication of this, I quote from a statement by the vice-president of the Kobe Chamber of Commerce, who is now in the United States:

You have by your own act made the Pacific carrying trade a Japanese monopoly and the shipper is already beginning to suffer from the effect which inevitably follows the creation of a monopoly. . . . You have delivered the Pacific into the hands of the Toyo Kisen Kaisha, a Japanese steamship line. . . . It is strange that your law-makers do not realize that wages in Japan are far less than here and that to compete with Japanese steamships your own transportation companies must have the benefit of every advantage the law can give them.

The Republican party has always stood for the method of building up our merchant marine by means of subsidies and mail subventions or some similar practises, while the Democratic party has universally opposed any such action. It seems to me that the only way to obtain results in such cases is to apply to ourselves, as far as the application goes, the experience of other countries, and it is easily demonstrated that every nation, to a greater or less extent, has followed the prac-

tise of granting subsidies. They have been paid in different ways, sometimes as a direct subsidy, sometimes as a mail subvention, and sometimes by preferential rates in co-operation with the carrying of freight and passengers on government-owned or controlled railroads.

It is not true that such a policy has been equally successful in building up a merchant marine in all countries, because various other influences have had a bearing on the subject, but the fact for us to consider is that we have not followed such a policy, except in the instance to which I have referred, and have lost our merchant marine; other countries have followed it and have built up their merchant marine, so that they are very largely doing the ocean-carrying trade. To demonstrate the correctness of the statement which I have made that other nations have aided their shipping, I will briefly state the latest obtainable figures on this subject. The enumeration which I shall present may not be complete, because methods change from time to time and I must depend on the latest statistics, but they indicate a universal practise, which is the important point I wish to develop.

The Canadian Pacific, the Canadian Northern, and the Grand Trunk Railway companies own and operate most of the shipping of the provinces, excepting that employed in the coastwise trade. They receive an annual compensation of \$2,700,000 on this account, one of the stipulations being that their subsidized steamers shall not call at any United States port. It is an interesting fact that while we have in the Panama Canal Act prohibited the use of the canal to American railroad-owned ships, we do not prohibit the railroad-owned ships of other countries using the canal. This imposes a serious handicap on all intercourse between our west and east coasts; for our east-and-west-coast trade is brought into direct competition with the east-and-west-coast trade of Canada, the latter being conducted by ships built for that purpose and having the advantage of a large subsidy.

The claim was made when the provision to which I have referred was inserted in the Panama Canal Act that it would prevent trans-continental railroads maintaining a monopoly of

the east-and-west-coast business. In my opinion, there was never any basis for this claim, because the rates of trans-continental railroads are controlled by the interstate commerce commission and it is common knowledge that they cannot be materially reduced without producing serious distress, and they cannot be increased without the permission of the commission, so that as a matter of fact they would not be affected by the Panama Canal; certainly no monopoly could result.

Among European countries Austria-Hungary pays subventions and bounties aggregating \$1,750,000.

France expends annually \$12,000,000.

Germany pays the North German Lloyd Line \$1,750,000 for its Asiatic service, and all German lines are so connected with the state-owned railroads that if it is necessary they receive bounties through increased rates on the carriage of goods, especially from the inland states of Germany to the German colonies. There are a large number of these rates and they are changed from time to time to meet special requirements and to fit any condition that develops; so that it is not true that the German government does not give assistance to its ocean-carrying lines.

Italy pays a total in subsidies and subventions of about \$3,800,000 annually. This appears in different forms.

Japan pays a total of substantially \$9,000,000 annually, and it is reported that this amount will be increased on account of the lines which are to be operated through the Panama Canal and for the additional service due to the withdrawal of the Pacific Mail Steamship Company.

Russia pays \$3,670,000 annually for this purpose.

Spain pays \$728,000 annually.

Sweden pays a variety of bounties, including sixty per cent of the Suez Canal dues to Swedish lines passing through the canal.

Great Britain pays the Peninsular & Oriental Line \$1,650,000 annually; it loaned the Cunard Company \$13,000,000 at two and three-quarters per cent for the construction of steamers, and, in addition, pays the same company \$1,090,000 mail and admiralty subsidy and very considerable bounties to lines



of steamers operating to Central and South America, especially to lines which will use the Panama Canal.

Brazil, Chile, Mexico, and other smaller countries follow the same general practises, all of which seems to be sufficient to sustain the contention which I have made.

It is always claimed by the opponents of subsidies that it is taking money from the treasury for the purpose of enriching some individuals or interests. Such contention, however, has no basis in fact. The purposes for which subsidies have been advocated are, first, to offset the foreign subsidy or mail subvention, and, second, to offset the lower wages and standards of living which obtain on vessels flying a foreign flag, as well as on account of the lower cost of construction of foreign vessels and the lower cost of making repairs; in other words, a subsidy is an attempt to overcome the handicaps with which the owners of American ships have to contend in their competition with the owners and operators of foreign lines. It has the compensating advantages of developing ship-building plants, the employment of large numbers of men, of furnishing auxiliary ships for our navy, and providing for a suitable naval reserve. These seem to me to be amply sufficient to warrant such a course.

I believe there is great virtue in the protective policy and that it applies with all the force in the operation of ships that it does in other ways. There is no doubt about the difference in the cost of operating ships under the American flag and those flying other flags. Our standards of living are higher than those of any country in the world and the wages which we pay are correspondingly higher, all of which produces a very decided handicap.

As far as mail lines are concerned, we could easily overcome the handicap which now exists by amending the Ocean Mail Law of 1891, increasing the compensation on routes where American ships are not now operated, so that there might be a regular postal, passenger and freight service established, particularly to South America. Our Post Office Department reports a very large profit for carrying foreign mails. How better could that profit be used than for building up our own lines of transportation?

It is not in any sense favoritism to give a contract for the carrying of mail under conditions which we impose ourselves. Such contracts are always awarded, as they should be, to the lowest responsible bidder, speed and other considerations being equal. These subsidies should be paid to ships built in the United States on designs approved by the Secretary of the Navy, so that they may be used for auxiliary naval purposes in case of need; in other words, mail subvention under this law is simply a payment for special service with the provision that such vessels may become part of the naval service if they are required.

There is another form of subsidy which has been advocated by Republicans and has been made a part of many bills presented by that party. This has contemplated the payment to American vessels in foreign trade of an annual sum equal to the difference between the wages and operating cost as compared with similar competing ships flying a foreign flag. This would include payments to ships of the tramp class without any regard to their speed, but the payment would be based on the number of miles the ship ran annually. There is no favoritism in this form of subsidy, because it would be paid to all American ships in foreign trade and at the same time should carry with it a provision that any ship receiving such subsidy should be available for government use immediately on call.

I think it would be proper in such cases for ships receiving such encouragement to keep their books in a manner stipulated by the government, so that if without aid they earned a reasonable return on the investment the subsidy should be withheld. It is not the desire of anyone, as I understand it, who advocates subsidies or subventions that a monopoly shall be created or that payment shall be made to those who are doing a profitable business, the sole purpose being to overcome the handicaps under which Americans labor who are engaged in this kind of occupation.

In addition to the payment of subsidies or mail subventions there have been other methods advocated for increasing our merchant marine, among them free ships, accompanied by some modification of our navigation law, and discriminating

duties. These two contentions should be given some consideration.

Under the Panama Canal Act of August 24, 1912, a partial free-ship policy was authorized, which admitted to American registry foreign-built vessels to be used in foreign trade which had been certified to by the steamboat inspection service as being suitable to carry a dry and perishable cargo, but it was stipulated that such ships should not be more than five years old at the time they applied for registry, that they must be owned by citizens of the United States or corporations organized under the laws of the United States, and that the officers should be American citizens, the purpose of this amendment being to provide for the admission under American registry of modern, up-to-date, and efficient ships capable of carrying a high-class freight business. It would seem as if such a step might have given encouragement to the proponents of the free-ship policy if it has merit, but as a matter of fact not a single foreign-built ship came under the American flag under its provisions up to the breaking out of the present European war, and such ships as have come under the American flag since that time have done so as a result of legislation which has been passed since the beginning of the war, which produced a new condition.

It was, of course, not known at the beginning of the war what the result was going to be from the standpoint of the destruction of commerce, and while it has now been demonstrated that the English navy has been strong enough to drive German and Austrian ships from the ocean, during the first few months of the war there were sufficient German commerce-destroyers at sea to make American owners of British registered ships anxious to get under cover. Furthermore, early in August of last year, the month the war broke out, our government established a government insurance bureau covering vessels of the United States at reasonably low rates, and as ocean rates had greatly advanced after the breaking out of the war, there was an increased demand for American and neutral bottoms.

On August 18, 1915, an act was passed amending the Pan-

ama Canal Act by striking out the limitation that foreign-built vessels should be less than five years old at the time they came under American registry and authorizing the President, in his discretion, to suspend the requirements of the federal law relating to the nationality of officers and other similar limitations which formerly governed in such cases. President Wilson promptly suspended these features of our navigation policy. It is noteworthy that this action virtually gave a preference to the employment of foreign-built vessels against American-built ships, because the latter were still required to carry American officers and were compelled to comply with all the survey and inspection requirements which had heretofore existed. It therefore became advantageous for American merchants to buy and naturalize foreign-built ships not only for the reasons just stated but because presumably they could be bought at a lower price and could be maintained and operated cheaper than those ships which were already flying the American flag.

It naturally followed that American owners of ships flying foreign flags made a transfer of their holdings, prominent among those to take advantage of its provisions being the United Fruit Company, which controls a splendid fleet largely built abroad because it could be built at a lower cost than in the United States. Many of the officers of these ships were originally foreign subjects who had become American citizens; for the general tendency which this company has followed has been to assimilate its wage-scale and methods of operations to American requirements, especially to the requirements of those engaged in our coastwise service. There also came under our flag the fleet controlled by the Standard Oil Company and the United States Steel Corporation, and there have been a few other accessions to American registry since the outbreak of the war, although in most cases they are not important.

The total registry changes number about one hundred and fifty, representing an aggregate tonnage of something less than six hundred thousand tons, so that the American fleet engaged in foreign commerce, very largely freight craft, which

before the war consisted of 2,405 vessels having a capacity of 1,076,000 tons, has by these accessions been increased to a fleet having a capacity of about 1,600,000 tons. As a result, the proportion of American imports and exports conveyed in American ships has increased from eight and a half per cent to thirteen per cent. But it is notable that substantially the only vessels that have sought the American flag, even under the present emergency conditions, have been those which for a long time have been owned and controlled by American citizens and which, very largely at least, have been employed in handling the products of this country and in many cases engaged, like those of the United Fruit Company, in trade with ports which are contiguous to the American continent. Not a single trans-Atlantic liner, notwithstanding all the dangers which have accompanied such service, has been transferred to American registry.

One other rather significant result comes from this free-ship legislation, and that is that substantially all the applications which have been made to come under the provisions of the act were made soon after its passage, and I believe the record shows that no changes are being made at this time. Therefore, we may naturally assume that the movement has stopped, and that when the war ceases there will be no further accessions to our tonnage for this reason; indeed, it is much more probable that some of those who have transferred to the protection of our flag will go back to their original allegiance, all of which demonstrates that those who have heretofore advocated free ships, believing that that was an important element in the failure to develop our merchant marine, have had a complete demonstration of the failure of that policy. The result of the experiment is no surprise to those who are familiar with ocean transportation matters; in fact, we might go much farther and say that under the conditions which have obtained, if a new ship were presented to an American citizen to be operated during its natural life under American conditions, he could not afford to accept the gift, especially if the operation were to be in competition with Oriental countries and with subsidized ships.



This is completely demonstrated by the career of the *Shawmut* and *Tremont*, which were operated between Seattle and the Orient under the best conditions now existing, though without any governmental assistance. At the end of six years they were sold to the government at a discount of thirty-six per cent on their original cost, to be used in connection with the construction of the Panama Canal. As during their period of operation they had paid no dividends on the capital invested, the owners lost a net amount substantially equivalent to two-thirds of the original cost of the ships.

Another noteworthy fact relating to the free-ship policy has been developed during the war, and that is that the hoisting of the American flag over foreign-built ships which come under our registry has immediately been followed by the demand that they meet the conditions which obtain in this country relating to wages of both officers and crew, a policy which has been followed from the beginning of our government by newly-landed immigrants in their demands for American pay; so that the net result has been to mark up to American standards not only the wages but the food and other conditions of those individual ships which have come under the American flag. It was inevitable that this should be the result. Therefore, it will be seen that every condition relating to a free-ship policy has been more favorable during the war than it is likely to be in the future; so that we are not likely to hear such a policy advocated by any responsible person as long as other ocean-carrying conditions now prevailing continue.

There are also many who have advocated that discriminating duties, similar to those which were used in the early days of the republic, would bring about a revival in shipbuilding. The advocates of this policy have, I think, modified their contention; for it has recently been conclusively demonstrated that the provision which was placed in the Underwood-Simmons tariff bill providing for a reduction of five per cent in duties on goods brought to this country in American bottoms could not be made operative because of many commercial treaties we have which would be violated if that were done. Furthermore, any question of retaliatory duties is of very little

moment, because more than two-thirds of our imports are now coming in free and a retaliatory duty could not apply in such cases. I am confident that without repealing all our commercial treaties and without a duty on substantially all of our imports any possibility of renewing the practise which once obtained of providing discriminatory or retaliatory duties would have little effect.

Some time before the opening of the Panama Canal I introduced a bill in the Senate providing that vessels belonging to the navy—meaning auxiliaries, not men-of-war—which might be available, that is, not in active service at the time, should be used to establish a line of steamers to the west coast of South America and to occupy that field until private capital had been organized for that purpose. It seemed to me unwise that we should have gone to the expense of building a canal and not have available some means of taking immediate advantage of the opportunities which it offered to increase our trade or, at least, to hold the trade we controlled with the west coast of South America, as it was well known at the time that English lines were about to be paid additional subsidies for this service.

Furthermore, and what was of even greater importance, it was quite apparent that the navy did not have auxiliaries which would be suitable for this purpose, and therefore there would be a complete demonstration that we should build or in some other way provide the navy with auxiliaries. At the same time I was anxious to demonstrate the futility of any form of governmental operation on the high seas, and especially in an operation carried on in competition with the ships of other nations, many of which were provided with considerable subsidies. However, I did not see then, and I do not see now, any reason why there should not be co-operation as far as the auxiliary navy is concerned between a merchant fleet and the navy itself. If the government is to build sufficient vessels for auxiliary purposes—that is, sufficient for time of war—necessarily many of them are going to be idle in time of peace, and it is a waste of capital to permit such a condition to prevail. If, however, ships of this class are to be operated

as merchantmen, they should be under the control of private or corporate management and not conducted by the government or governmental officials. On the other hand, if there is a field for mercantile development which will not at once support the private capital necessary to invade it, it seems to me that the government should aid in establishing lines by paying subsidies or mail subventions and should receive in return for this aid the privilege of calling on the owners of the lines for the use of their ships whenever they should be required for naval service in time of war. This bill did not pass the Senate until long after the breaking out of the war, and did not pass the House until the shipping bill was attached to it; that is, in the last days of the second session of the Sixty-third Congress; so that there has never been any result from its passage.

This brings me to the question of the Government Shipping Bill. This legislation was originally advocated solely because of the emergency which developed at the breaking out of the European war. If, however, that were the only reason for it, there would be no necessity for taking it up again, because although our trade this year bids fair to be half a billion dollars greater than ever before, there does not seem to be any serious complaint of insufficient shipping to carry it; but there were other reasons for not passing this legislation which were sufficient even if an emergency did or did not exist. To have obtained ships that were not employed, it would have been necessary to have purchased those belonging to a belligerent, and with this possibility in view our government was at once notified by the representatives of the belligerent nations that the purchase of ships of that character under such circumstances would not void their right to seize and condemn them. Therefore, if we had purchased the German interned ships, which were the only ones available, and as I think was originally intended, the action would have been tantamount to buying a quarrel.

If belligerent ships had not been purchased, nothing whatever would have been gained in the emergency which was supposed to exist, because all American and neutral tonnage

was engaged to its utmost capacity and earning larger returns than ever before. Therefore, the prices which it would have been necessary to pay would necessarily have been excessive, and a corresponding loss would have been incurred when the government wished to dispose of the vessels or in any way to get out of the transportation business. Not a ton of additional shipping would have been put into operation as a result of the passage of such a bill; it would simply have meant the transfer of ships operated by private individuals to government operation which, if we may judge by the results of government operation in other ways and in other places, would have lessened rather than increased the efficiency of the ships transferred.

Moreover, and more serious than any and all of these reasons was the one which should have been sufficient to condemn the whole project, and that was the attempt to put the government permanently into transportation business of any kind, in the operation of which it was confessed material losses would have been made. A careful study of government land transportation in those countries where there are state-owned and operated railroads demonstrates conclusively that the government is a much less effective agency for such purposes than private corporations. This would be particularly true in a government like ours where political conditions and changes would at once become an important factor in the results and would certainly prevent satisfactory financial returns. This cannot be better illustrated than in the case of the rural delivery service conducted by the Post Office Department. The Postmaster General last year reported to Congress that if he were allowed to reorganize the service he could save more than eighteen millions of dollars, but no step was taken to bring about this result because of political pressure which was brought against it, and that general result would develop in any similar attempt to conduct governmental operations.

It is evidently the purpose of the present administration to enlarge rather than limit governmental activities in connection with business affairs. The President in his address delivered to Congress on December 8th, 1914, used this expression in

referring to economical administration: "But my point is that the people of the United States do not wish to curtail the activities of this government; they wish rather to enlarge them." I am opposed to this tendency, and would as far as possible take directly the contrary course. Governments are not organized for the purpose of conducting business; they cannot produce, and never have produced, economical results in any business activity, and therefore I greatly regret the publicly-announced intent of the administration to revive the government shipping legislation which was considered and defeated last winter; for this will be done, even though chambers of commerce and other commercial organizations very largely having no interest in the shipping business have reported almost unanimously against such a course being undertaken.

In 1867 the Argentine government made a proposition to the United States to subsidize jointly a direct line of steamers, and I am credibly informed that the important South American countries would be willing now to join in such an undertaking. The only purpose now advocated in reviving the administration project is to establish lines to South America, and the business-like way to do so is to join with these South American countries in some means of encouragement similar to those followed in all other like instances. If in 1867 we had had wisdom enough to accept the proposition made by Argentina, a very considerable part of the foreign commerce of South America which now goes to Europe would undoubtedly have been diverted to us. In any case, it should not be possible that further attempt will be made to carry out the purposes of last year's shipping bill when it has been condemned by practically every competent individual witness as well as by the great business interests of the United States.

One other matter which I want briefly to call to your attention is the desirability from the standpoint of naval preparedness of extending our merchant marine, a phase of the question which has not been given suitable consideration. No country is strong enough, financially, to maintain in time of peace an army or even a navy which would be sufficient in time of war



if engaged with a first-class power; and therefore it is necessary to establish reserves of men in both services and of ships in the naval service. I will not discuss the cost of maintaining a battleship or the desirability of keeping a considerable number of the fighting ships of the navy in reserve if we had reserve men enough to man them in case of war, but the same general reasoning will apply with equal force to auxiliaries.

It is well known that when the battleship fleet made its trip around the world a few years ago it was accompanied by auxiliaries carrying coal for the fleet, flying foreign flags and manned by foreign crews, largely Lascars and Chinese. This was necessary because there were no suitable American ships for that purpose. Under present conditions the navy is substantially in the same need, and in order to make it homogeneous it should have added to it scout cruisers, repair ships, supply ships, hospital ships, and colliers. Such vessels are not now available and they should be constructed at once if they cannot be obtained from our merchant marine.

The cost of maintaining auxiliary naval vessels in commission is indicated by taking the cases of the *Mars*, *Vulcan*, and *Hector*, which are colliers having a capacity of 7,100 tons. The entire cost for the maintenance of these ships for a year is \$105,000 each, provided they are officered and manned by civilian crews, but is much more than that if under the charge of naval officers and manned by naval crews. For example, the repair ship *Panther*, which is not so large as the colliers, costs about \$200,000 a year. Generally speaking, in the naval service it costs approximately one thousand dollars per man of the crew to maintain a vessel.

It is absolutely essential from the standpoint of the navy that there be suitable ships in operation which can be drawn on in time of need. A material saving could be made if this course were followed. In fact, it can be completely demonstrated that if this government paid sufficient subsidies or subventions to private lines of fast steamers covering all the principal ports on both coasts of South America, to be constructed under the direction of the Navy Department, and suitable for auxiliary purposes, with the provision that crews and ships should be



transferred to the navy in case of need, the saving to the government would be equivalent to the subsidies paid.

Furthermore, we need men for our naval reserve. During the Spanish-American war we had the greatest difficulty in shipping able seamen—only about 1,500 being obtained during the duration of the war—and the purchase of ships at that time made necessary by our not having auxiliaries for the navy indicated that if they had been sold at the end of the war there would have been a loss of about fifty per cent on their purchase price. The ships were purchased because it was impossible to charter them, as is done by England and other countries having a well-developed merchant marine. Therefore, from the standpoint of the navy—a standpoint which should not be neglected—there is every reason for our giving encouragement to the upbuilding of our merchant marine and to the increase of that part of our population engaged in seafaring life; so that we may develop a naval reserve which will enable us to lay up a large part of our fighting ships when we are at peace.

If my contentions are sound: 1. We need a merchant marine for mercantile and naval purposes. 2. We should repeal any legislation, like portions of the Seamen's Bill to which I have referred, which militates against this development. 3. We should follow the practise of all other nations, which has resulted in the development of shipping by giving sufficient aid to overcome the difference in costs which stands as a handicap to our shipping. 4. Such aid should apply only in cases where the operation cannot be conducted profitably, and should continue only so long as that condition prevails, such aid being based on the service performed either in carrying mails or in furnishing ships for auxiliary purposes. 5. Any government operation which places government-owned or controlled ships in competition with privately-owned and operated ships should not be countenanced. The judgment and experience of experts of all kinds on this subject should be sufficient to deter us from taking such a hopelessly fatal step. 6. As the navy needs auxiliaries even more than any other facility, any measures taken to increase its efficiency should give first consideration to and be influenced by the development of a merchant marine.

## WHAT CONGRESS SHOULD DO TO DEVELOP AN AMERICAN MERCANTILE MARINE <sup>1</sup>

ROBERT L. OWEN

United States Senator from Oklahoma

THE American merchant marine has apparently been the object of much solicitude by the great political parties of the United States. The Republican party in its national platforms from 1884 to 1912, every four years, has strenuously declared in favor of a revived merchant marine, the declaration in 1912 being: "We believe that one of the country's most urgent needs is a revived merchant marine. There should be American ships and plenty of them to make use of the great American oceanic canal now nearing completion." The Progressive party favors this policy. The Democratic party since 1880 through its national platform has declared its belief in fostering the growth of a merchant marine "which shall develop and strengthen the commercial ties which bind us to our sister republics of the South, but without imposing additional burdens upon the people and without bounties and subsidies from the public treasury."

Various plans have been proposed:

First, subsidies. The Republican party never has been able to put upon the statute-book effective subsidies because of its divided opinion and because of the opposition of the Democratic party, which has believed that subsidies would lead to public corruption and unjust and indefensible discrimination in favor of private interests against the public interest.

Second, discriminating duties. Congress in 1913 made a provision for discriminating duties, but the Attorney General found that it violated our treaty obligations with other nations.

Third, guaranties by the government of the bonds of private corporations. This would be a subsidy and impracticable.

Fourth, the amendment of our navigation laws. The ship-

<sup>1</sup> Address at the dinner of the Academy of Political Science, November 12, 1915.

ping interests of the country have apparently never been sufficiently interested to present their views in an adequate and proper manner to the committees of Congress, showing the amendments of the navigation laws which were essential to the upbuilding of the merchant marine. Certainly those who are interested in the ocean-carrying service should, if these laws are as harmful as is sometimes suggested, present to Congress the reasons which would justify a change in these laws.

Fifth, Congress has, by the ship registry bill, opened the American registry to ships built abroad, and in this way quite a large number of vessels have been added to the American merchant marine, subject to the laws of the United States, and have at least added to the statistical respectability of the American merchant marine.

Sixth, during the last Congress a bill was presented authorizing the United States government to take stock in a corporation to be organized under the patronage and control of the government of the United States, with a capital of ten millions of dollars and the right to use thirty millions of Panama bonds to enlarge the enterprise, the government of the United States taking the bonds of the corporation in lieu of such advances.

This latter enterprise has various obvious advantages:

First, these ships would meet the needs of American foreign commerce between the United States, Central and South America, and the Orient, in which there is no adequate service by privately-owned ships.

Second, these ships would be manned by American seamen paid American wages, having the ideals and language of the United States, having a patriotic love for the United States and its interests.

Third, such ships would comprise a very important naval auxiliary and could serve instantly in case of foreign war as colliers, ammunition boats, supply boats, transports, oilers, hospitals, and repair shops, all necessary in times of war. They would be manned by patriotic Americans and not by foreigners without interest in America and ignorant of the language.

These boats would be self-supporting and would comprise an auxiliary naval merchant marine. They would have an

extreme mobility. They could be sent to develop new lines of commerce where at present we have no regular mail service, no regular freight service, no regular passenger service, and consequently no reliable commercial ties. Whenever private capital could be attracted to fill a field thus developed, these boats could be used to develop a new field.

We have a right to believe that they would pay well from the beginning, because we know that the exports of the United States to many of the South American countries have doubled in the last year, and that there is an enormous field of commerce, of imports and exports, immediately available whenever reliable channels of intercommunication shall have been established. The exports from Europe to South America in 1914 were \$667,000,000.

The representatives of the South American countries, at the Pan-American financial conference held in Washington last May—eighteen American nations participating—declared their eagerness to co-operate with the United States in improving the trade and commercial relations between the United States and the Central and South American nations. There is no doubt that these countries will extend every possible facility in the forms of docks, terminals, and favoring laws.

Until the passage of the federal reserve act, American producers and shippers had no adequate banking facilities in Brazil, Argentina, or other South and Central American nations; no adequate credit facilities, and no adequate American business representatives. But under the federal reserve act a number of American banks have already been established in South America and many more are in contemplation. Through these American institutions accurate and reliable information as to the credit of purchasers can be obtained; credits can be extended, and exchange can be afforded. But if American shippers must rely upon the British ship or the German ship as a means of competing with British and German goods, American shippers would be absolutely at the mercy of those whose sympathies would be against the success of the American shipper and altogether in favor of his competitor, the British or German shipper.

I am informed that one of the great banking houses in New York made a critical examination of the freight service between the United States and South America by way of Europe, and ascertained that American goods were delivered from one to three weeks behind European goods; that American goods were not accorded the same careful treatment given to European goods destined for southern markets, and that there were other discriminations injurious to the American shipper, having a strong tendency to make the commercial relationship between the shipper from the United States and the buyer in South America unsatisfactory. It is obviously of the highest importance to the development of the United States, the enlarging of its foreign commerce, that we should have stability and efficiency of the freight, mail and passenger services between the two countries. We must have regular sailings from our ports to Central and South American ports. We must have prompt and efficient delivery of our exports to those countries and our imports from those countries. We must have reasonable freight rates.

Private capital has not been willing to enter this field in adequate amount. On March 26, 1914, my distinguished friend, Senator Weeks of Massachusetts, submitted to the Senate a resolution containing the following preamble:

Whereas it is desirable to develop and extend commercial relations between the United States and the countries of South America by the establishment of direct lines of communication for carrying the United States mails, for the transportation of passengers and freight, and

Whereas private capital has not engaged in this service to a sufficient extent to furnish facilities comparable to those enjoyed by the people of other countries having trade relations with other countries;

Therefore, It is resolved that the Secretary of the Navy be authorized to prepare a plan for the operation of some of the navy cruisers between New York, New Orleans, the City of Valparaiso and Chili and intermediate points.

The bill which my distinguished friend presented to the Senate to establish one or more navy mail lines which it



authorized the Secretary of the Navy to control, and upon which he should fix rates for freight and passenger service, was passed through the Senate without division. It was amended in the House and came back enlarged, authorizing a shipping board to acquire a large tonnage of suitable vessels, in addition to the navy vessels, but the original friends of the measure vigorously fought against the passage of the Weeks bill as amended by the House, and defeated it.

There are certain objections to the plan of Senator Weeks, in my judgment. The boats belonging to the United States government and controlled by the Navy Department would occupy a relationship which would prevent shippers or persons having claims of any kind from getting any redress through the ordinary court processes, and would compel them to go to the court of claims and be settled with by Act of Congress after that court acted. This method is too slow and cumbersome to be practical or efficient, and would operate to defeat the successful working of the enterprise. The war vessels have no adequate freight or passenger capacity, would be too costly, and economically unproductive of profit.

Another serious objection to having the Navy Department control these boats attached to the merchant marine is that, in case of any complication with foreign governments or the acts of belligerents, it might lead to undue national excitement—as an attack upon the sovereignty and dignity of the United States; whereas if the corporation ship were torpedoed by a belligerent nation, under the law of nations it would not be so great an offense, but would be a matter adjustable through the usual procedure under the international law affecting merchant vessels belonging to citizens.

After the war began the governments of Europe withdrew from commercial use almost immediately six millions of gross tons of ocean-going merchant vessels. Hundreds of thousands of such tonnage have been destroyed in war. This gave opportunity of charging freight rates exceeding the normal by hundreds of millions. The excess freight would have purchased a thousand respectable merchant ships.

An investigation under Senate resolution of December 18,



1914, showed that there was an increase in ocean transportation rates that was perfectly enormous—grain from New York to Rotterdam increasing 900 per cent; cotton to Rotterdam, 700 per cent; freight rates from Baltimore to European ports on grain 900 per cent, on cotton over 600 per cent, and a very great increase, but not so large, on all shipments from the United States to Europe.

The evidence of this is set forth at great length and in great detail in Senate Document 673, Part 2, 63d Congress, 3d session, presented to the Senate January 27, 1915.

But this was not all. It also appears that it was almost impossible to get adequate accommodation to take abroad American shipments; that American goods were unable to move; that this led to interruption of shipments that could have been made and that ought to have been made. Violent traffic congestion took place in our ports and on our railways. It is perfectly obvious now that American commerce is subject to the exactions of British ships; that American commerce and the American people are paying from 100 per cent to 1,600 per cent increase on freight rates which were previously too high.

The public press announces that in future, by order of the British Council, all ships flying the British flag must operate under a license determining their sea-going routes. An order in council could divert these boats from American shores and paralyze the foreign commerce of the United States.

The boats of the Pacific Mail Steamship Company, I am informed, were sold and transferred to the Atlantic. The suggestion has been made that these boats were sold because of the Seamen's Act—an act which was intended to promote safety at sea by having an adequate number of life-boats and rafts, which was intended to abolish arrest and imprisonment as a penalty for desertion, and to promote the welfare of American seamen by improving the conditions under which they lived. It has been said that the Pacific Mail boats were sold because they could not afford to raise the wages, from six dollars to eight dollars a month for coolies, to a living wage for an American. The living wage for an American, I believe—taking the American soldier as an example—is his board,

lodging and clothes, and \$13 a month. It is not excessively generous for a man who faces the fury of the sea.

This theory of the sale of the Pacific Mail ships has been demonstrated to be untrue, but is repeated over and over again in a propaganda against any government-controlled merchant marine on the pretense that the government would lose money in the enterprise. There need be no fear whatever of this result.

The Seamen's Bill has had an interesting history. Under the Taft administration the Seamen's Bill, H. R. 23,673, passed the House of Representatives August 3, 1912, with no record vote. No man in Congress, in the House, sufficiently desired to express his opposition to this measure to ask that a vote be recorded upon it. It passed the United States Senate March 2, 1913, without a record vote, was presented to President Taft March 4, 1913, and was smothered by Mr. Taft by a pocket veto. Under the Wilson administration the Seamen's Bill, Senate 136, passed the Senate October 23, 1913, without a record vote; passed the House of Representatives August 27, 1914, without a record vote; the conference report was agreed to by the Senate February 27, 1915, without a record vote, and the conference report was agreed to in the House of Representatives February 25, 1915, without a record vote.

And yet this bill, upon which statesmen of neither party wished a record vote, is now charged with being fatally destructive to the American merchant marine. But no man seems to be willing to specify with precision how this bill could kill the American merchant marine.

I have heard it said that the ships of other nations could employ coolies at six dollars a month and conduct their ships more economically than with American seamen. If this be fatal to the employment of Americans on board an American merchant marine; if we must have an American merchant marine manned by coolies at six dollars a month, who cannot understand the English language, and whose ignorance of the English language caused the destruction of the passengers on the Rio de Janeiro in the Golden Gate at San Francisco, within a quarter of a mile of shore, the future of the Amer-

ican merchant marine is not promising. An American merchant marine manned by foreigners not understanding the English language, and having no sympathy with American ideals, and having no patriotic zeal in upholding the honor and safety of the United States, is not, after all, very much of an American merchant marine. It becomes a hyphenated American merchant marine. It is a foreign-American merchant marine. I believe that America would like to see an American merchant marine manned by decently paid, self-respecting patriotic Americans. I do not believe it will require 900 per cent increase or any increase in freight rates to sustain this standard.

The first value of an American merchant marine under the control of the government is the establishment of a decent freight rate and service between the United States and South America, between the United States and the Orient, and the establishment of a standard of what would be a fair freight rate on the ocean. We have no legal right to complain when private corporations, unrestrained by the interstate commerce commission or any other governmental power, take advantage of the needs of the American people in times of war and of the needs of the European people in times of war, and selfishly raise the freight rates 100 per cent, 200 per cent, 500 per cent, 900 per cent. Why should we complain? They are exercising their lawful rights.

Why should we complain if the Pacific Mail, to get these high freight rates, should transfer these boats to the Atlantic to reap a richer harvest? It is true that Americans who have relied upon the established freight lines to the Orient, and have built up business on the belief that these lines would have stability, are heartbroken by the sudden cessation of freight lines to the Orient. But there is no law violated by the Pacific Mail Steamship Company. There ought to be a law forbidding the breaking-up of American-established ocean freight lines without reasonable notice to the commercial world, but at all events the people of the United States can remedy this matter by a naval auxiliary merchant marine to supply the shippers on the Pacific with a marine service to care for their exports and their imports. Let it be done, and quickly.

The House committee on merchant marine and fisheries was instructed by the Sixty-second Congress to investigate the methods and practises of the various ship lines, domestic and foreign, engaged in carrying our oversea and foreign commerce, as well as coastwise and inland commerce. The investigation was very thorough. It included:

1. Comprehensive letters of inquiry addressed to 562 domestic navigation companies, to practically all steamship companies engaged in this country's foreign trade, and sworn statements from all collateral interests.
2. Exhaustive hearings before the committee, which examined representatives of all branches of the industry.
3. Reports on the subject by American diplomatic and consular representatives all over the world.
4. Reports from the Department of Justice giving testimony and exhibits in all cases pending against various foreign and domestic water carriers for alleged violation of the Sherman Anti-Trust Law.

The results obtained showed:

1. It is the almost universal practise for steamship lines engaged in the American foreign trade to operate, both on the in-bound and out-bound voyages, under the terms of written agreements, conference arrangements, or gentlemen's understandings, which have for their principal purpose:

- (a) The fixing or regulating of rates.
  - (b) The apportionment of traffic by allotting the ports of sailing, restricting the number of sailings, or limiting the volume of freight which certain lines may carry.
  - (c) The pooling of earnings from all or a portion of the traffic.
  - (d) Meeting the competition of non-conference lines.
2. Eighty such agreements or understandings, involving practically all the regular steamship lines operating on nearly every American foreign trade route, were found to exist.

The evidence brought out by the investigation showed

clearly that in recent years the various steamship conferences had resorted to the use of what is termed "fighting ships" in order to kill off competition. To do this it was shown that a committee would be appointed for the purpose of selecting fighting steamers to destroy the competition of non-conference lines. This committee would select suitable steamers from any of the conference lines to sail on the same days and between the same ports, the regular rates being reduced to a point sufficiently low to secure the traffic. Any surplus of passengers who were booked for the fighting steamer, but who could not be carried by the same, would be transferred to other conference line steamers at the reduced rate. The expenses and loss from the lower rates resulting to any line whose vessels had been selected for fighting purposes were distributed over the members of the conference. It was thus a case of all the lines united in conference opposing every sailing of a single opposition line.

In the freight traffic line it appears that six leading German lines established a "fighting corporation" known as the *Syndikat-Rhederie*, the stock of which was proportionally distributed among the six companies. The American consul general at Hamburg reported that four comparatively small and inexpensive steamers were purchased, and that these, with such others as may be chartered from time to time, are hired out to the six owners of the company to meet dangerous competition and to drive it away. These fighting ships handle chiefly bulk goods, leaving merchandise which requires prompt transportation to the parent company, the stress of competition being borne by the fighting ships principally.

The committee recommended either that these agreements and understandings be prohibited in an attempt to restore unrestricted competition, or that these combinations be recognized along lines which would eliminate their disadvantages and abuses. It also recommended that all navigation companies should be brought under the supervision of the interstate commerce commission as regards the regulation of rates and the approval of contracts entered into with other water carriers and other transportation agencies; that all carriers



engaged in the foreign trade of the United States, parties to any agreements, understandings, or conference arrangements, be required to file for approval with the interstate commerce commission a copy of all written agreements which they enter into; and that the commission be empowered to cancel any such agreements or parts thereof found discriminating or unfair or detrimental to the commercial interests of the United States. It recommended that the commission should exercise similar powers over such lines as it now exercises over railroads, and that the use of fighting ships be abolished. While admitting many of the advantages of steamship agreements and conferences, the committee was not disposed to recognize them except under government supervision as outlined above.

A national shipping board would be better, to supervise the American merchant marine, to work out this great problem, and advise the Congress of the steps found necessary to develop our merchant marine.

It has been objected that the government should not go into the shipping business, because the government cannot successfully handle the shipping business. The government has handled the shipping business successfully between New York and Panama for many years. It has handled the Panama Railroad Company successfully. It has handled irrigation plants successfully. It has handled cement plants successfully. It is handling the postoffice business successfully and is doing fairly well with the express business under parcels post. It would not be a serious objection if the government did not make money out of the naval auxiliary merchant marine, because the establishment of the auxiliary naval merchant marine is necessary for our preparedness, and these boats can be more economically used in the merchant marine than to lie idle and rotting in the harbor.

It is said that the government ought not to compete with private individuals. The government would not be competing with private individuals in occupying a field which private individuals have not occupied. Private individuals cannot afford to take the risk of opening up a new line of commerce on the east and west shores of South America. Private indi-

viduals have abandoned the trade territory occupied by the Pacific Mail Steamship Company, and have left the imports and exports of the Pacific coast without adequate service.

When the war broke out the leading business men of the country appealed to the government of the United States to establish a bureau of war-risk insurance to insure American vessels and American cargoes against war risks. The government did so successfully and profitably.

The highest modern function of government is to use the combined power of the people to promote their happiness and prosperity, to promote their commerce, and give a constant, stable field of employment to their productive energies. The enormous volume of products which the people of the United States can produce will be stimulated to a maximum by furnishing a foreign market on as fair terms as the citizens of any other nation of the world can obtain in times of peace or in times of war. If we leave our citizens and our commerce dependent upon the merchant marine of Great Britain and other nations, we need not be surprised if the merchants of those nations take the trade of the world and bottle up our products within our own land. I believe, therefore, that the best thing Congress could do would be to establish a naval auxiliary merchant marine, owned by a corporation, the majority stock of which is owned by the government; that this corporation should be in the control of a shipping board; that the most modern ships in the world should be built for this service, as speedily as possible; that we should prepare American seamen to man these boats at fair compensation and should educate a naval reserve on them; that we should establish with these boats lines of commerce and regular sailings at fair rates for freight, passenger service, and mail, between our ports and those of Mexico, Central and South America, and the Orient; that we should standardize this work and ascertain through this work what would be a fair charge for ocean freights.

I believe that we should put all vessels handling American freight under the supervision of the shipping board as far as practicable, and establish a fair freight rate, and a fair oppor-

tunity for such boats in our ports, through docks, wharves and port privileges, and bring our navigation laws up to date.

Capital invested in the marine service is entitled to very generous and just treatment, but the American people are entitled also to just treatment in the rates charged for freight and passenger service, and this can be brought about only by treating the marine service as a public utility and demanding fair treatment for the people of the United States.

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## THE PROBLEM OF RE-ESTABLISHING THE MERCHANT MARINE <sup>1</sup>

IRVING T. BUSH

SOME of the older men here tonight remember when we had a merchant marine. That was before the coming of the iron vessel. Those were the days of the romance of the sea; for when the *Good Hope* or the *Adventure* sailed, she carried with her the hearts and the fortunes of her home port—the hearts, because her sons and husbands sailed in her, and the fortunes, because it was the custom for the vessels to be owned jointly by the people of the community. The ship and the flag both vanish from the sea and the old square riggers which carried the stars and stripes to the Orient and brought back a queer smelling cargo with perhaps a bit of old lacquer and china, and a silk dress for Nancy at home, have all sailed their last voyage and have been succeeded by groaning freight steamers. It is idle to discuss why American shipping has declined. It is sufficient for our purpose to know that it has all but vanished from the sea.

It has gone, and we have established standards which have made it extremely difficult for us to re-establish that merchant marine. Occasionally efforts have been made to re-establish it, but the people of this country, busy with their own interests, have paid but scant attention to the carrying of merchandise beyond their border, until suddenly this great European conflict, this tragedy of tragedies, has paralyzed the ocean-carrying trade. Hundreds of vessels were interned in foreign ports, and hundreds, almost thousands, have been taken by the governments of belligerent nations to use for military purposes. Suddenly the people of this country have been brought face to face with the fact that great as we are in all other depart-

<sup>1</sup> Introductory address as presiding officer at the dinner of the Academy of Political Science, November 12, 1915.

ments of human effort, we are absolutely dependent upon foreign nations for the carrying of our produce to market. If I read the sentiment of this people aright, they are determined that this condition shall cease. This meeting, and hundreds like it throughout the country, are evidence of that intention. Not only have our people determined that ships shall be created under the American flag, but they have determined that those ships shall be manned substantially by American crews. For we cannot become a great maritime power unless both the officers and seamen of our vessels speak our language, think our thoughts, and honor and respect the flag under which they sail.

But we have established by law and custom conditions which make it difficult for us to re-establish a merchant marine. We have created conditions in our forecastles which make it more expensive from the standpoint both of wages and of food, and it is difficult to see how we are to maintain these conditions unless, through some co-operative agency of the people—either public ownership or public aid,—we equalize the cost of operating the vessels under our flags and the flags of our chief competitors.

Conservative people have a deep prejudice against the principle of government ownership. They say that it is state socialism, and that it is state socialism in a dangerous form. Even the friends of state socialism feel that if it is to be tried, it should be tried in some manner which gives a better guarantee of success. State socialism in the ownership of railroads, of telephones or telegraph lines, where the state not only controls the physical property but has an absolute monopoly, is a much simpler thing. Under those conditions the state by fixing the rate can guarantee a proper return upon the money invested. But state ownership applied to vessels on the high seas, which must be constructed at greater cost and operated admittedly at greater cost, and which must in times of peace meet the keen competition frequently existing, is a very different thing.

On the other hand, there is another great part of our people who object just as strongly to the principle of government aid through subsidy. They say that subsidy spells graft. It means



opportunity for dishonesty and favoritism. Yet we have established conditions which we apparently must maintain, making it more expensive for us to operate ships under the American flag than under the flag of our chief competitors upon the sea.

Here we seem to be suspended upon the horns of this dilemma: If we adopt the principle of public ownership, we go contrary to the judgment of that great part of our people who object to that course; if we adopt the principle of public aid through subsidy, we go contrary to the judgment of that other great part of our people who object to that course. I shall not attempt tonight to offer a solution, but shall leave that task to the gentlemen who are to follow me.

These gentlemen who are to speak tonight have shipped with us as pilots on this voyage of discovery to that land of our imagination where lies whitening on the beach the timber of our old merchant marine. In an effort to show us how we may rebuild it, put it afloat and set it again sailing the seas under the flag which we all love, I shall urge only that we sail a safe course. Rocks of public opinion beset us on all sides, and great voyages cannot be sailed unless there is substantial harmony among the crew. Let us not crowd on sail unnecessarily; for many of the dangers which we thought would overtake us last year have proved to be but phantoms of the sea. It is better to be safe than sorry. Our crops, which last year it seemed impossible to carry to market, have all gone forward, and the farmer is still able to buy gasoline for his automobile. The last Flying Dutchman has been interned in a neutral port. Let us make haste slowly. Give the people of this great country time to think this over, and let us go slowly until we can get behind some plan the great, united public opinion of this country.

<sup>1</sup> I can conceive of many worse things that might happen in this present situation than to have established just such a board or commission as Senator Owen and the other speakers have all urged. That board should be composed of men so eminent

<sup>1</sup> Concluding remarks.

and so high in the public eye that their report would inspire confidence. It should be given the task of studying this question and conducting an educational campaign so that we may know what is the wise thing to do, and may thus unite behind whatever plan is agreed upon the real public opinion of the country. I question whether during this waiting period we are losing much; for if we build ships today, either by government or by private aid, we are building them under war cost and under war conditions. They will probably be launched just at the close of the war and be brought into competition with established lines replenished by the thousands of ships which will then be released to mercantile trade. That will create a dangerous business situation whether the task be undertaken by the government or by private capital. Further, I question whether the people of this country are paying any substantial part of the great increase in freight rates which the war has occasioned, for as I sit on the bulkheads in South Brooklyn and watch the merchandise go to sea I notice that the pressure for cargo room is for space from this country to Europe, and that many ships come back in ballast. Apparently there are not cargoes from the other side to be carried to this country at a profitable rate. It seems fair to say that the anxious buyer of our wheat, our products and our munitions in Europe is paying by far the greater part of the burden of the increased freight rate. It is true that we in this country must pay some share of it, because of the increased insurance and the danger of the sea, but chiefly upon import cargoes. There is a great deal to be said at the present time in favor of referring this whole question to an eminent board to report what should be done, to stimulate public interest and to educate public opinion exactly as was done in the currency-reform fight, which resulted in such magnificent work by the present administration in passing our federal reserve law.

## DEVELOPMENT OF THE AMERICAN MERCHANT MARINE <sup>1</sup>

### WELDING RING

Chairman, Committee on Foreign Commerce and the Revenue Laws, New York Chamber of Commerce

THE history of the American mercantile marine is both a romance and a tragedy. The romance goes back to the early part of the nineteenth century, after the close of the war of 1812, when there was a rapid growth of American shipping, until in tonnage and class of ships we became the leading shipping country of the world. There were many reasons for this wonderful growth and success.

First, we possessed the finest class of seafaring men that the world has ever produced. In our eastern states it was considered an almost necessary part of a young man's education to go to sea for at least a few years, thereby fitting him for a position of command, and many at a very early age became masters of the finest ships that sailed the world over.

Second, in the growth of our forests we possessed the materials for building the staunchest and fastest craft that human skill could design.

Third, our shipyards were manned by skilled mechanics whose trade was handed down from father to son, and into the building went the best of work and endeavor, for the hearts of the workers were in their task.

Our poet Longfellow, in his poem of "The Building of the Ship," has most beautifully described its construction:

Thus said he, we will build this ship!  
Lay square the blocks upon the slip,  
And follow well this plan of mine.  
Choose the timbers with greatest care;  
Of all that is unsound beware:

<sup>1</sup> Read at the meeting of the Academy of Political Science, November 12, 1915.

For only what is sound and strong  
To this vessel shall belong.  
Cedar of Maine and Georgia Pine,  
Here together shall combine.  
A goodly frame and a goodly fame  
And the Union be her Name!

The ownership of our shipping was largely a local matter pertaining to those living in the immediate neighborhood of where the ships were built, merchants, traders, manufacturers and farmers all being investors, while the officers and crew were also largely of the same localities. This gave a special interest to many, and news from the ship was always awaited with keenest concern.

Those were halcyon days for our merchant marine, for the stars and stripes were known and seen in all ports of the world, our merchants were traders in everything that could be exported and imported, and some of the fortunes made in those ventures were the foundations for the larger fortunes of the present day. Nothing more beautiful for the eye to rest upon was ever produced than one of our clipper ships with its graceful lines, its towering masts, and its white wings spread to catch every favoring breeze, and always trying to make record runs. Even in the present days of quick steamer passages, the record of the *Sovereign of the Seas* from New York to Liverpool in twelve days is almost beyond belief.

But a change was to come, and it came all too soon. The first menace to our shipping came when England commenced building her ships of iron. The American wooden ship was built for strength, speed and beauty, with carrying capacity a secondary consideration. The British iron ship was also built for strength, for a fair degree of speed, very little with a view to beauty, and the first consideration was to make her a big carrier.

American workmen were skilled only in the building of wooden ships, while the British workmen had learned their trade in the iron works of that country. Competition became more keen between foreign shipowners and those of this coun-

try, and as it grew the difference became apparent in favor of the iron ship. This was the beginning of the tragedy that was to lead to a steady decline of American shipping, until we ranked low down in the scale among nations.

But it was not the most serious blow. The outbreak of our civil war in 1860 found us still with a large number of ships flying our flag. Then the Confederate privateers, the *Alabama*, the *Shenandoah* and others, were fitted and provisioned in Europe and sent out to prey upon American commerce. Our navy was not numerous or powerful enough to give proper protection, so that many of our ships were destroyed. The risks became so great that the insurance companies refused to insure and owners were compelled to carry their own risks, with great danger of having their ships destroyed, or to sell them or transfer them to a neutral flag. And they were sold and transferred to so great an extent that at the close of the war in 1865, with the exception of our coastwise tonnage, the American flag had almost disappeared from the ocean. The end of the war found our shipyards deserted and in many cases dismantled, our skilled mechanics scattered or resting in our battlefields, and the opportunities for profits on capital so much greater in the building of railroads and manufacturing enterprises that shipbuilding, except in a limited way, ceased to be attractive.

Still another blow was to come, when England changed from iron to steel, producing a more buoyant craft, a larger capacity and, later, at a decreased cost. This sounded the death-knell of wooden ships, and today they are almost a curiosity.

Following all this came the slow but constant change from sailing ships of all kinds and all nations to the burden-bearers of commerce, the tramp steamships, until in foreign trade sailing ships are carrying but a small portion of the products of the world. While the shipyards of the United States can produce warships equal to those of any country and steamers suitable for our coastwise trade, yet they do not and cannot, under present conditions, meet the competition of ships built in England, Germany, France and Japan. A year ago the

tragedy was complete, and we had fallen low in the scale of ship-owning countries.

With the advent of the war in Europe there was a golden opportunity for the United States to regain its former proud position upon the sea. Congress, in an unusual outburst of wisdom, passed a law that went into effect in August 1914, and the President promptly signed it. Under that law steamers and ships flying the flags of other nations could be purchased by Americans, and those already owned by Americans but under other colors could be transferred to United States registry, without becoming subject to our navigation laws. The effect of this law was almost magical, and in a comparatively brief period 135 steamers were brought under the stars and stripes. But these favorable conditions were not to continue, for in February of the present year Congress, in its great unwisdom, passed the so-called La Follette Seamen's Bill, and that, too, was signed by the President.

With its passage a chill came over our shipping merchants, and hopes for a large merchant marine vanished quicker than they had been created. Since its passage, eight months ago, only about forty craft of all kinds have sought our flag, while some of the earlier transfers are contemplating going back to their former colors. A more unfortunate law was never enacted by Congress. The labor unions claim the authorship of it, endorse all its provisions, and are demanding that it be enforced to the letter, and a recent circular issued by the authorities at Washington states that it will be enforced in every detail. But for once they have overshot their mark, and have killed the goose that was laying the golden egg.

The Seamen's Bill is also in direct conflict with some of the provisions of twenty-one of the commercial treaties between the United States and foreign countries, and it is extremely doubtful whether those countries will be willing to amend those treaties and make them accord with the terms and conditions of our law.

What is the result to date of this unwise and unfortunate law? We have only to look at our Pacific Ocean trade, which is now, with the exception of the coastwise trade, all carried



under foreign flags. The splendid steamers of the Pacific Mail Company have been sold, and transferred to service on the Atlantic. The magnificent Minnesota of the Great Northern Line has made her last trip across the Pacific, and the steamers of the Robert Dollar Line have sought Vancouver as a harbor of refuge under the British flag.

Is it any wonder that the Yankees of the Orient, the Japanese, threw up their hands and shouted with delight when they learned of the passage and signing of the Seamen's Law? For, as they would not be subject to that law, the carrying trade of the Pacific dropped into their arms, without even the asking for it. And they intend embracing the opportunity to the full. Their lines of four steamers to San Francisco will soon be increased by four others, and six more have been ordered as soon as their shipyards can build them. What a spectacle it is, not one steamer floating our flag in the Pacific foreign trade, and even the products of our own possessions, the Philippines, carried under foreign colors.

There is so much of bad in the Seamen's Bill, and so little of good, that it is hard to characterize it. The bill is a direct inducement to desertion on the part of the crew. It permits the detention of the steamer on any complaint that a member of the crew may make; it requires a language test that no other nation does, and that is entirely unnecessary; and even in the supposed improvements in life-saving appliances, the Washington authorities have so construed the law that it does not apply to foreign steamers carrying passengers, but only to American.

Could anything be more unwise or spell greater disaster to our flag? But, as though the Seamen's Law were not enough, merchant ship-owners are menaced by government ownership and operation. Merchants are told that as they do not buy or build more ships under present conditions, the government will step in and expend a large amount in building or purchase. As is well known, all the shipyards in the United States are full of orders, and cannot take on more for delivery in less than eighteen months or two years. Foreign shipping is selling at almost double the prices of a year ago and foreign gov-

ernments are very reluctant to allow any of their tonnage to pass from their control. If the government should buy foreign steamers, it would not add anything to the carrying capacity of the world, for it would be merely a transfer from one flag to another.

Is anyone ready to affirm that the government can operate steamships as economically as private merchants or corporations? But apparently that is no obstacle in the way of government ownership at high cost and operation under labor-union conditions. In a recent address in San Francisco, the Secretary of the Treasury plainly stated that we must have American tonnage on the Pacific Ocean no matter what it costs; that if private interests would not provide it, the government would; and if in competition with foreign tonnage under cheaper conditions the government ships should lose money, the losses should be charged to the government and paid for by the people. Was there ever a more flagrant illustration of paternalism run wild? And how can it be expected that private interests will continue in or enter the field against such competition? Is it not more than probable that American shipowners will again seek the protection of foreign flags, where conditions are less onerous and more profitable? A bill providing for government ownership passed the lower house of Congress at the last session and only failed of passage in the Senate after a long struggle. Already those in authority at Washington state that a new bill will be introduced when Congress opens, and pressed by government influence. It behooves every one who desires to see an American merchant marine to be up in arms and use every legitimate means to compass its defeat.

Are there any means or methods by which our shipping can be restored and our flag become known again throughout the world? There are many who believe it is possible, and the following are some details as to what is necessary:

First, the creation of a shipping board patterned largely after the British Board of Trade, which has aided so materially in building up British shipping. This board should be composed of men familiar with all shipping questions, of broad

knowledge and actual experience, and they should be free from the restrictions of governmental interference, except so far as the laws of safety in construction and operation require. They should have the power to revise and reconstruct our navigation laws, making them more nearly conform to those of successful ship-owning nations, removing many restrictions, and, while making them cover every detail of safety, broadening and liberalizing their scope so that they will be less onerous, and will give greater freedom to owners. Is it not wise to avail ourselves of the successful experience of others, rather than adhere to our own faulty and unsatisfactory law?

Second, a prompt suspension of the Seamen's Law, or, better still, its repeal, and if necessary the enactment of a new law avoiding the mistakes of the present one. It must be admitted that as the law now stands, it has already forced a very considerable volume of tonnage out of the trades that have been fostered, cultivated and developed for many years. Those who proposed and pressed it through Congress are the first to suffer, and our American seamen are feeling its ill effects in the lessened opportunities for employment. If Congress cannot be induced to repeal the law, then it should pass supplemental legislation, eliminating its unfavorable features and making it satisfactory and helpful to all interests.

Third, the menace of government ownership should cease and this dark cloud of government competition be driven from the horizon. What merchant or capitalist would be willing to invest in ships when he felt that any day the government would become his competitor and carry on the trade irrespective of whether it was profitable or not? The merchant would have to bear his own losses, while the government would charge them to profit and loss and the people would pay them. Is that a competition that is fair or desirable?

Fourth, proper legislation should be enacted so that advances made by bankers and banks shall be an absolute lien on the ship, with no possibility of anything preceding such lien. England has well-defined and settled laws, operating so successfully that their banks consider loans on shipping as a most desirable form of investment, and it has been a wonder-

ful aid in building up their merchant marine. As the United States is now leading the rest of the world as a center of capital, why should not a fair portion of our surplus go into the building up of our shipping? And it will if our laws will make such investments safe.

These are some of the fundamental conditions that must be met before we can hope to see any large development in our shipping industries. There will be other obstacles to overcome, principally the higher cost of labor and material in the building of ships in the United States, the higher wages that must be paid to officer and man our ships, and a more liberal scale of living; but all of these will be overcome if our laws are made more liberal, unfair restrictions are removed, the menace of government ownership is withdrawn, and greater inducements are offered for the investment of capital.

There is one other subject that requires, and will no doubt receive, exceptional study and consideration by our people and Congress in the rehabilitation of our merchant marine, and it is a subject on which there are great diversities of opinion. Subsidies to many appear to be the only hope of regaining our lost shipping, while to many others they are the most unwise kind of assistance. Advocates claim that our shipbuilders and shipowners must have subsidies or subventions (the difference between the two being hardly appreciable) in order to meet the increased cost of construction and expense of operation. They point to what other nations have done and are doing in the way of such assistance, and claim that the United States must do as much or more. They demand larger appropriations for our ocean mail service, and ask that with government assistance lines should be established and operated to many countries, even if in the operation losses should be sustained. This they do on the ground that "trade follows the flag," a statement that was true many years ago, when our shipowners were merchants also, selling their goods wherever they sent their ships. Today these conditions are entirely changed and trade follows the cheapest and most reliable transportation routes and the best facilities for financing, irrespective of the flag.

Those opposed to subsidies point to the fact that most of the countries granting such assistance do so principally to aid the mail service and not for the transportation of freight. England, with her vast fleet of freight liners and tramp steamships, pays only for carrying of the mails, and for special equipment and preparations for war purposes by the government. Germany pays also for mail services and affords but little assistance to cargo-carriers. In fact, the Hamburg-American Packet Company, the largest steamship company in the world, has never accepted assistance of any kind. France pays the largest subsidies, and her progress in ship-owning has been the slowest of any of the large maritime nations. Japan is the only instance where government assistance has materially helped in the development of a large merchant marine.

As between the pros and cons of this much-debated subject, there should be some medium by which our ship-building and ship-owning industries may be stimulated and yet not cast upon the government the burden of supporting unprofitable enterprises.

Sir Walter Raleigh said that the nation which controlled the shipping of the world controlled the trade of the world, and so the world itself. This may not be quite so true today, but it is true to a very large degree, and with the end of the present war the nation that has the largest volume of shipping will secure the greatest share of foreign trade.

Is it not wise for this country to be up and doing, and making preparations for the trade contest that is sure to come? May we not hope that our legislators at Washington will awaken to the desirability and necessity of wise and proper legislation that will instil into our shipowners, merchants and bankers such trust and confidence that they will all work together in united efforts to place the United States again in the van of ship-owning countries, sending our flag into all ports of the world, and giving us a mercantile marine, the pride of all our people.

## PRESENT PROBLEMS OF AMERICAN SHIPPING <sup>1</sup>

GERARD HENDERSON

*Editor, Harvard Law Review*

IN the past, the controversies and discussions which have centered about our national merchant-marine policy have been concerned largely with ways and means of stimulating and expanding, quantitatively, the amount of tonnage under the American flag. A large and flourishing merchant marine, proudly waving the national emblem in the far corners of the earth, bringing honor and prestige to the nation and power and wealth to its owners, was the romantic ideal which our statesmen set before us, decked in patriotic symbolism. Like its counterpart on shore, the doctrine of high protection, it was grounded on the dogma that if only an industry can be stimulated to a high degree of activity and prosperity, the natural laws of supply and demand would themselves see to it that this industry properly satisfied public needs. Students of social psychology have remarked how often a set of political and social ideals proves on analysis to be merely the unconscious idealization of an economic interest. It is probably more than a coincidence that the program which this merchant-marine policy aimed at was in large part a formulation of what would bring most wealth, prestige and power to the shipowner.

How utterly this traditional and one-sided approach to the problem is today outgrown is shown by the fact that the three legislative proposals before the last Congress and the one soon to convene, the Seamen's Bill, the Ship Purchase Bill, and the bill for the regulation of shipping combinations, are designed to protect the interests not of shipowners, but of seamen, and of the shipping and traveling public. And they seek to protect these interests, not by a process of stimulation and expansion,

<sup>1</sup> Read at the meeting of the Academy of Political Science, November 12, 1915.



but by curbing the freedom of the shipowner, where his interests are thought to conflict with those of these other groups. This shows a change in public opinion strikingly similar to that which marked the evolution of our governmental policy toward railroads. At first stimulation, subsidy, expansion were the watch-cries. Millions in public lands and public moneys were poured into the lap of the railroads. Only gradually it came to be recognized that the public interest was not identical with the interest of the railroad-owners, and that hours-of-service acts, safety-appliance laws, rate regulation, and laws against rebates were necessary to protect the interests of employes and of the public where they came in conflict with those of the railroads.

Now that railroad regulation has become a familiar matter, one is apt to forget that every stage in the progress of this regulation was marked by conflicts as bitter as those which are now being waged about the various programs of maritime regulation, and that prophecies as dire as those which have greeted the Seamen's Law and the Ship Purchase Bill were hurled against the interstate commerce commission and the safety-appliance laws. It is, perhaps, natural that persons who are being regulated should object. It should be made clear, however, that it is not a sufficient condemnation of a policy of regulation to show that it does not promote the interests of the group which is to be regulated. If a law is passed to regulate A for the benefit of B, you cannot prove the law a bad one by showing that it throws a burden on A and an advantage on B. That is the purpose of the law.

Yet much of the criticism which has been directed against the Seamen's Law, the Ship Purchase Bill, and the Alexander Bill for the regulation of shipping combinations, has been of precisely this type. They have been criticized on the assumption that the stimulation and expansion of our national merchant marine are still the only concern of our government. Instead of inquiring whether these measures adequately protect interests which are entitled to protection, it has been considered a sufficient condemnation to show that they throw an added expense on the shipowner.

It is many a year since this country has seen a propaganda as skilful, as extensive, and seemingly as irresistible, as that which has been conducted against the La Follette Seamen's Law. The average citizen, who reads the newspapers, glances at the cartoons, hears political speeches, and discusses the affairs of the nation with his neighbor, has come to associate the law, subconsciously, with every form of political stupidity and moral obliquity. I believe there are not a few people on the eastern coast who have come to associate it with the German submarine campaign.

The chief characteristic of the mythical Seamen's Law which this newspaper campaign has conjured up seems to be its supposed discrimination against American shipping. The charge merits careful attention. If there is one thing which the history of the past century has taught us, it is that under modern conditions when shipping is international not only in scope but in ownership, legislation which places any substantial burden on American ships to which foreign ships are not subject necessarily defeats its own ends, since the vessels can escape the law by the simple expedient of transferring their registry to a foreign flag. But in the Seamen's Law, almost for the first time in maritime legislation, the notion that a ship can be regulated on the jurisdictional basis of nationality has been rejected. The whole purpose of the Seamen's Law is to apply American legislative standards to foreign vessels as well as to American vessels. The language test, the provision that a given percentage of the crew must be able seamen, the elaborate requirements as to the manning and equipment of life-boats, the abolition of imprisonment for desertion, all are by the express terms of the statute applicable to foreign as well as American vessels. The whole jurisdictional basis of the principal sections of the Seamen's Law is territorial, not national.

In two respects, however, it must be admitted that the law will not in practical administration operate impartially on ships of all nationalities. The requirement that 75 per cent of the crew must be able to understand the orders of the officers places a heavier burden on American vessels on the

Pacific Coast than on Japanese vessels, since officers of American vessels must by the terms of a previous law be American citizens. It is apparent, however, that the discrimination lies not in the provisions of the Seamen's Law, but in the requirement of American citizenship for officers. If this provision were repealed, as it has been in the leading maritime nations of the world, American and Japanese vessels would in this respect be on a complete equality.

The other section which, as the law is administered, affects American vessels adversely, is section 14, providing standards of life-saving equipment. The difficulty arises in this way: In order to avoid duplication of inspection, our general inspection laws, of which this section was amendatory, provide that wherever the laws of a foreign country "approximate" our own, the ships of that nation need not submit to inspection in this country, provided that the foreign nation gives similar privileges to our vessels. The provision seems to be a sensible one. If a foreign law does in fact "approximate" our own, if its provisions are substantially those of our own, there can be no object in requiring inspection in both countries. But note the interpretation which the federal inspection service has placed on this section. It has held that the laws of all the foreign countries whose laws "approximated our own" before the passage of the Seamen's Law, do so still. The Attorney General, in his opinion expounding the section in question, stated very explicitly that "the phrase contemplates 'approximation' not at the date when it was added to the law, to wit, 1902, but from time to time as the inspections and voyages occur." The interpretation of the inspection service must, therefore, go on the theory that the foreign navigation laws are in all substantial respects as severe as the Seamen's Law. Where, then, lies the discrimination?

I believe, however, that such a view is entirely untenable and that the inspection service is proceeding on a misconception of the section. The Seamen's Law has placed our navigation laws in advance of those of all foreign countries except Australia. If their laws approximated our own before the Seamen's Law, they have ceased to do so now. It follows

that they should be subject to the Seamen's Law, and to inspection by American officials, until they are willing to adopt into their own laws substantially the provisions of the Seamen's Law. You will see, then, that if this section discriminates against American shipping, the fault is not in the statute, but in its misinterpretation by the inspection service. And the remedy lies not with Congress, but with the Department of Commerce.

This disposes of the charge that the Seamen's Law discriminates against American vessels. The converse charge has been made with almost equal insistence: that it constitutes such an interference with foreign shipping that diplomatic complications are inevitable. Note the dilemma. If legislation bears only on American vessels, it is discriminatory and unpatriotic. If it bears on American and foreign vessels equally, it is contrary to international ethics. Here are two alternative arguments which lead to the result that the nation must abdicate utterly its function of securing safety for passengers and decent working conditions for seamen. One may well hesitate before accepting reasoning which leads to such a conclusion. As a matter of fact, the right of a sovereign nation to impose reasonable regulations relating to safety at sea and to the welfare of seamen, on all ships which clear from its ports, cannot be doubted. And as to the provisions which call for the abrogation, on due notice, of those portions of our commercial and consular treaties which provide for the arrest of deserting seamen, and deprive seamen on foreign vessels of their right to sue for wages in the federal courts, these provisions are so clearly in consonance with modern humanitarian notions that it is unlikely that any foreign nation should make this the occasion of diplomatic protest.

But granted that the law can be applied to foreign as well as to American ships, the argument is made that it will place a greater expense on all the shipping which plies from our ports, necessitating an increase in freight rates which will jeopardize our foreign trade in its competition with other countries. This presents, indeed, a problem which cannot be set in logical form. It presents something more fundamental

than a conflict of ideas—a conflict of interests. If labor wants a higher price for its service, and society is unwilling to pay the price, no dialectic process can demonstrate that one is right and the other is wrong. The best we can do when faced with such a conflict is to see what adjustment is most in consonance with the accepted ideals of the time. If we do this, we shall find, I believe, that the argument that labor can be denied a living wage and decent working conditions in order to cheapen the price which society pays for its product, will find little favor. In passing child and women's labor laws, factory acts, minimum-wage laws, in encouraging the efforts of labor to improve its economic condition through union activity, we have recognized that society is not justified in accepting a service which it is not willing adequately to remunerate. If our foreign trade is in so precarious a position that it must receive a grant in aid in the form of transportation furnished below cost, it seems a matter of common justice that that grant in aid should not be paid out of the legitimate earnings of labor.

It is another feature of that mythical Seamen's Law of the popular imagination that its terms are so immeasurably more severe than those of any foreign country that our foreign trade cannot stand up under its burden. Let us turn, for a moment, to that great commonwealth of the Pacific from which we have borrowed so much of our industrial and social and political legislation during the past quarter-century—the Commonwealth of Australia. The Australian merchant marine employs more than 8,000 seamen. By the operation of the industrial arbitration law their wages are fixed by a decree which has the binding force of a statute, at roughly \$40 per month for able seamen, \$45 for boatswains and lamp-trimmers, \$50 per month for firemen and greasers, with corresponding wages for other employments. In American vessels, thanks to the unequal operation of private agreement, the corresponding wages are approximately \$30, \$35, and \$40. Only in San Francisco, according to figures published by the commissioner of navigation, have the unions succeeded in attaining the Australian standard of wages. In Australia, again, after a care-



ful investigation, the president of the arbitration court—a member, it should be added, of the High Court of Australia, which corresponds to our own United States Supreme Court—awarded an eight-hour day for all seamen on Australian ships. In the Seamen's Law it is provided that on all American vessels the deck crew shall be divided into two watches—a twelve-hour day. For work in port a nine-hour day is prescribed. Only firemen, oilers and water-tenders are accorded a legal three-shift day.

The language test in the Seamen's Law, by which 75 per cent of the crew in each department must understand the orders of the officers, has been assailed as unprecedented and disastrous. In Australia, by the Navigation Act of 1912, every seaman must "possess a knowledge of the English language sufficient to enable him fully to understand the necessary orders that may be given in the performance of his duties."<sup>1</sup> Yet Australia is as much exposed to Oriental competition as the United States. No less vigorously has the requirement that from 40 to 65 per cent of the deck crew must be able seamen been attacked. Yet the Australian law allows only one ordinary seaman and one apprentice—all the rest must be able seamen.

I have dwelt at some length on the Seamen's Law because the seaman's interests are more apt to be overlooked than are the interests of shipowners and of the shipping public. It seems essential, however, that some form of public regulation of shipping should be established to safeguard the interests of the shipping public. Preferably, it should take the form of a strong maritime commission, with broad powers of investigation and regulation. As is well known, modern shipping, leaving out of account the tramp steamers, cannot be carried on on a competitive basis. Substantially all the steamship lines which operate from American ports are governed by agreements regarding rates, division of territory, and times of sailing. These agreements have been in many respects highly beneficial. Monopoly has brought with it regularity of sailing,

<sup>1</sup> Sec. 47.



specialization of routes, stability of rates, and freedom from many of the worst forms of rebating and discrimination. Only the most extreme worshiper of economic individualism would advocate an attempt to restore competition. But these advantages have been secured at the cost of the many evils necessarily attendant on unrestricted monopoly. Rates had increased, even before the war, to an unjustifiable level. New steamship lines seeking entrance into the field have been driven out. Individual shippers, fearing the power of the shipping conferences, have been afraid to press legitimate claims. These are evils that can be met only by public regulation, as has been amply proved in the history of our railroad system.

Regulation by a system of government competition, as embodied in the ship purchase bill, cannot cope with the situation. It would hardly be considered a statesman-like proposal to have the government seek to reduce railroad rates, whenever they were thought to be too high, by laying parallel tracks and running freight cars below cost. The interstate commerce commission can fix rates much more simply and scientifically by an administrative order. To fight the great shipping combinations and conferences by the kind of guerrilla warfare to which a fleet of government-owned ships would have to resort, would be demoralizing in the extreme. But commission regulation should be supplemented by a gradually increasing amount of public ownership and operation. The notion that the government is incapable of conducting a business of this kind efficiently is, in my opinion, outworn and untrue. Government ownership is generally opposed either on philosophical grounds, because it is in conflict with the metaphysical concept of liberty, or on historical grounds, because it is not one of the traditional functions of an eighteenth-century government. But if we turn from metaphysics and history to present-day realities, we find that the government has completed a colossal interoceanic canal for the benefit of the same shipping interests which are now proclaiming that the government is unfit to run a steamboat line. We find it conducting, also for their benefit and at their request, a very useful and highly profitable war-risk insurance business. We find it actually

engaged in the operation of a highly successful line of passenger and freight vessels from here to Panama. In the face of these hard business facts, theoretical objections derived from Adam Smith and Herbert Spencer are not very persuasive.

A line of fast steamships between the United States and the east and west coast of South America, and a strong permanent line to the Orient, are urgently needed for the development of our foreign trade. I do not believe that these lines can be secured through subsidy, whether under that name or under the more euphonious term, mail subvention. We have experimented with low subsidies in the past with very little success. If we increase them substantially, there is danger that the ships will be operated to earn the subsidy rather than to serve the shipping public. These lines should be established on the same theory as that of the postoffice—that the service is so important to society that it should be carried on by the government, even if at a loss.

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## THE PROBLEM OF THE MERCHANT MARINE <sup>1</sup>

BERNARD N. BAKER

A FEW days ago, standing at a window in the Merchants' Club in San Francisco overlooking the harbor, my attention was called to a large steamer slowly passing down to the Golden Gate. At her stern floated the American flag, and a friend standing at my side said: "Look, Mr. Baker, at the very last steamer under our flag that will ever make a voyage to the Orient."

My reply to this was that I had an abiding faith in our country and the ability of our people to meet and overcome any difficulties, and that we should again see the stars and stripes flying over our merchantmen in all the ports of the world.

"No," he said, "I don't believe it, because you can never get Congress to realize the importance of legislation necessary to renew the American flag on our merchant vessels. My reasons for this are, first, because there is such a wide diversity of interests to be considered, and the interests of the east coast are not the same as ours on the Pacific."

"But," said I, "is it not possible to get this divided interest to work together for the mutual good and the best interests of our country by each one surrendering some of his personal interests for the general good?"

"How do you propose to bring this about?" was his reply.

"My idea is that it can be brought about, and I am willing to undertake to make an effort to do so."

To this he replied: "I will help, and God speed you in your work."

This man was a shipowner himself and had a thorough and practical knowledge of what was needed, but he had been compelled to transfer some of his steamers to foreign registry.

<sup>1</sup> Discussion at the meeting of the Academy of Political Science, November 12, 1915.

From San Francisco a visit was made to Seattle and Portland, and a careful study made of harbor facilities and conditions at both these ports. My attention was called in Seattle to the steamship Minnesota then discharging her last cargo on a voyage from the Orient, and she is now on her way to the Atlantic seaboard, thus ending—at least for the present—the possibility of an American ship in our trans-Pacific trade.

Can anyone wonder that a feeling of depression was with every interest on the Pacific coast whose business was dependent upon shipping facilities and trading with the Orient, when they felt, too, that all this business, of every kind, had been turned over to the Japanese flag, which is the only flag under which ships are maintaining a regular and efficient service to the Orient?

The new republic of China—which may possibly again become a monarchy—is so interested in building up an independent service that the government has contracted with American interests for the establishment of such a service. The Chinese government proposes to guarantee the bonds of a steamship company, both principal and interest, to build ships and sail them under the American flag. Is it possible that our country is so far behind such a country as the republic of China?

So much for the conditions on the Pacific coast. On our Atlantic coast let us look at things just as they exist. Until about fifteen months ago it was impossible to cross the North Atlantic Ocean as a first-class passenger under our flag, and today it is possible to do so only because the demand for passage is so pressing and the importance of safety and protection under our flag is so great that our American Line has changed its former second-class accommodations into first-class and is now carrying passengers. These difficult conditions must be met in both oceans to develop our American shipping.

How can it be done? There is but one method that I can offer for the consideration of Congress. That is the appointment of a shipping or merchant marine board, with broad powers and ample appropriations to develop our merchant marine. Let us introduce and give earnest and active support to a bill for the appointment of such a board or commission.

Let men be selected by the President of the United States to compose this board. If possible, let them be appointed for life, to be removed only by the President for some cause satisfactory to him, or by request from the Senate to do so, and let this board be confirmed by the Senate. It matters little whether it has three or five men. My own opinion is that three men would be ample. On this board let the Administration have representation by the Secretary of Commerce and the Secretary of the Navy as *ex-officio* members. Surely we can trust the President to select men of such broad views and practical experience as could successfully carry out, to the best interests of our country, the objects to be attained in the upbuilding of a merchant marine. The wonderful success of our federal reserve board is a precedent we can well follow.

But this is no new plan. Those most interested can find it fully outlined in an article in the *North American Review* of January 1909 — more than six years ago — written by me with the approval of the then President of the United States. This contemplated the passage of an amendment to the Postal Mail Contract Act of March 3, 1891, giving to a board, to be appointed on these same lines, the power to make contracts for the establishment of lines of steamers to different ports, with a mail contract sufficient to justify their establishment. There is a great difference in the encouragement necessary to different routes and services, and only such a board as is there outlined would be competent to deal intelligently and practically with each service as conditions demand.

Let Congress give to such a board the power and the appropriation to acquire tonnage—if necessary, first, to supply naval auxiliaries suitable for the development of foreign lines, either government-owned or operated. Or let the board make loans to corporations on a perfectly secured basis. Let the board be required to submit to Congress as soon as possible any recommendations for the amendments necessary to the Ocean Mail Act of March 3, 1891. Let it be given full and absolute authority to make all rules and regulations covering our entire water-borne commerce, the establishment of a naval reserve on ships under our flag (subject, of course, to the approval of

the Secretary of the Navy), the charter of vessels to a corporation or corporations or individuals, and the establishment of steamship lines with the co-operation and joint interest of foreign countries. In other words, let it have full power to develop our foreign commerce under our own flag on the lines to the best interest of our country. The bill should give the President authority to veto any contracts made by the board, and should require the board to submit for the President's approval any important contracts that it proposes to make.

How can this be brought about now? Only by the action of Congress to be secured by the co-operation of those most interested in the development of our foreign commerce under the American flag, and the upbuilding of our merchant marine. If the different sections of our country are going, for personal reason and interest, to attempt to curtail and limit the powers of such a board, it will be so hampered that it will not be able to accomplish the object of the bill. See the wide diversity of opinion shown by the results of the referendum taken this year by the Chamber of Commerce of the United States.

Can the interests of the Pacific coast, the South, the Middle-West, the Northwest, and the Atlantic coast be brought together to advocate such a bill as will give these powers to a shipping or marine board? I believe it can be done.

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## OUR MERCANTILE MARINE<sup>1</sup>

ALBERT MCCLELLAN MATHEWSON

OUR mercantile marine and preparedness are so closely interwoven that a discussion of one necessarily includes the other. It is so closely allied to the defense of the country that it is almost as necessary for the government to encourage the maintenance of a good mercantile marine as to maintain a navy. The restoration of the American mercantile marine is a subject which has for years interested the public and been earnestly discussed in Congress, but still the American flag fails to fly over our commerce or even to protect our domestic mails.

The laws of this country compel capital engaged in the ocean-carrying trade to pay more for its steamers than it would be required to pay if purchased in the open market; to give higher wages to its seamen and to employ more and better-paid officers, and to furnish better quarters for these men. Even with these laws wiped from our statute-books it is doubtful if capital would seek investment in our mercantile marine, or the flag of the United States float over any appreciable increase of commerce. Every nation which has a mercantile marine has built it up and maintained it with subsidies and bounties, and the United States must meet this competition or lay itself open to criticism because of its unpreparedness.

Three subjects are closely connected with our national preparation which are not properly covered by the maintenance of a navy: first, an efficient and widespread ship-building industry; second, a trained body of seafaring men; third, merchant vessels available for naval purposes in times of need. A great majority of the people of this country are opposed to the investment of government funds in any field of business which brings it in competition with private capital or with work

<sup>1</sup> Discussion at the meeting of the Academy of Political Science, November 12, 1915.

which private capital should finance, but the present situation of the country demands that determined effort should be made to encourage the development of our mercantile marine.

One of the greatest obstacles to this development is the difference in wages paid American and foreign seamen, and it is certainly necessary for us as a nation to have a body of seamen who are citizens of the United States and loyal to our government. The United States has always adhered to the plan of giving instruction in military and naval tactics to its young men through the national guard and naval militia without taking them from their regular occupations, but the training of seamen is more serious and complicated and the government can well afford to make a special effort to build up this body of men. To accomplish this result laws should be enacted for the enlistment of American citizens in the United States navy who will be available for service on vessels of United States registry engaged in the ocean-carrying trade. The government should pay a certain percentage of their wage while in the employ of merchant vessels, and the men and the vessels should always be available and subject to the call of the navy. This plan would apply also to regular officers of the navy. To make this work effective the government should detail a naval officer to each of the vessels on which a sufficient number of men are employed, to drill them in naval tactics, so that while learning seamanship by force of their employment they would also be trained in the work of the navy.

It is claimed for this plan that the men are always in useful and productive employment and that in this way the government would be building up a defense that would complement its regular navy; that the personnel of this productive class of men could be maintained on a higher plane than the men engaged in non-productive work on the war vessels; that both men and officers would have other and better purposes in life because they would be engaged as producers, and their whole thought would not be devoted to war and the advantages which would come to them in case of troubles with other countries. While this country must always maintain an efficient navy, the upbuilding of this body of enlisted men and effective vessels

will lessen the need of non-productive and expensive war vessels.

I am thoroughly convinced that the people of this country would support with enthusiasm any reasonable plan that promised the establishment of a mercantile marine on a permanent and business basis. They would much prefer to see a fleet of convertible greyhounds engaged in commerce than one unnecessary dreadnought, and many believe that these vessels would be a greater protection and safeguard to the nation than too many war vessels which today may be considered most efficient and tomorrow, with changing conditions, may become junk. People of this country would be proud of a mercantile marine, but would never be proud of a navy beyond the demands of the country for strictly defensive purposes.

This principle is recognized already in the postal service between the United States and foreign ports, where a provision is made for officers of the navy to obtain service on mail vessels and receive furlough pay from the government while in such service, and in the same law requiring all vessels under contract with the United States government to employ at least one American-born boy for each thousand tons registered, to be educated in duties of seamanship while in such employment. The people of this country demand the enactment of laws that will build up our mercantile marine, and Congress must find a way to accomplish this purpose.

## THE LA FOLLETTE LAW FROM THE CONSUMERS' POINT OF VIEW <sup>1</sup>

FLORENCE KELLEY

General Secretary, National Consumers' League

**T**HIS subject has three sides, and I represent the neglected side, that of the not innocent by-stander, the traveler, the passenger. We of the thoughtless American traveling public cannot call ourselves innocent, because we have too long and too generally shirked our obvious duty in this discussion. The penalty for shirking falls irregularly and incalculably, like most penalties in human experience, on the guilty and on the innocent. The penalty is death by drowning.

The National Consumers' League two years ago unanimously endorsed the La Follette bill, speaking for this third, neglected party to the discussion, the traveling public. The Consumers' League declares that the public who buy a commodity or a service, determine in the end the conditions under which the commodity is produced and distributed, or the service rendered. Members of the Consumers' League assume with their eyes open their full moral responsibility for whatever happens to the crew, to those who serve at sea. We have not yet succeeded in interesting the traveling public in this subject, but we are patient, insistent, and continuous. We are about to celebrate the twenty-fifth anniversary of the founding of the parent Consumers' League here in New York city. And it is sixteen years since we began work as the National Consumers' League, arousing an organized, sustained, enlightened interest in the minds of the American people as to the conditions under which service is rendered or goods are produced.

That was a hundred years' task, we were warned, but we believe that we shall not have to wait a hundred years. We

<sup>1</sup> Read at the meeting of the Academy of Political Science, November 13, 1915.

believe that at the end of the next twenty-five years the teaching of experience, and our interpretation of it, will have created as alert and as organized a public opinion with regard to danger at sea as already exists with regard to the conditions of labor of those who serve on land.

Today, however, the American traveler is in the ignominious position of the shirk who deserves whatever comes to him, even though it be sudden death. He has not inquired, he has not cared, he has not enlightened himself, he has not enforced his will, he has had no social conscience. Shirks commonly excuse themselves with the plea of ignorance. But ignorance is no excuse in law or at sea. Our ignorance, moreover, has been voluntary.

American people in general, travelers and stay-at-homes alike, are not interested in safety either on land or at sea, least of all at sea, perhaps because we spend so little time on ship-board and, I sometimes think, because death at sea is quick. We like risks, and that is a sudden risk; there is no long torture, so we do not occupy ourselves much with the thought of the danger. Those of us who travel hold lightly our responsibility not only for whatever befalls us, but for whatever befalls our fellow-passengers and those who serve us.

Repeatedly in recent years we Americans have all read in the papers with a thrill, but with no effective compunction, that a thousand or fifteen hundred people have perished in twenty minutes, or forty minutes, or fourteen minutes at sea. But none of us have done much about it, except the seamen. The default of the passengers is the more disgraceful because the battle for safety has been fought for us, as far as it has been fought at all, by men at the uttermost disadvantage, men without voting residences, who cannot, in the usual way, bring their will to bear on the lawmakers. The position of the seamen has been so serf-like that any one of them, even though an American citizen, on going to sea enlisted as if going to war. Sailing on a ship to serve the traveling public, he became liable to arrest if, not liking what happened to him on that ship, he quit the service, breaking his contract. Whenever a seamen elected to break his contract and forfeit his

wages, Uncle Sam has acted as policeman for the shipping companies of other nations, seizing in our ports the seaman who broke his contract, and returning him to the ship.

None of us would be arrested for breaking a contract with a shipping company. We might have to pay a good deal of money, but none of us could be arrested merely for breaking our contract with a shipping company. But the seaman has been as unfree as that, and we have been in the disgraceful position of letting all the fight for safety that has ever been made before Congress be made by such men.

The safety provisions of the La Follette bill do not in time of disaster greatly benefit the employes, who can ordinarily take care of themselves much better than the women and children passengers. The most important safety provisions look toward an enlarged and improved class of seamen, a class who cannot be arrested by Uncle Sam or anybody else for the simple breaking of a contract, who cannot be treated as though, in time of peace, taking service on a passenger ship were equivalent to enlisting in an army in time of war.

In the amazing newspaper discussion of the La Follette law, in the hundreds of editorials which the clipping bureaus have sent to my desk, leaving a ship and breaking a contract on the part of a seaman is called "desertion," as though the shipping companies were the government, instead of reckless money-making institutions. It is a singular use of language, it represents a singular attitude of mind in free American citizens toward other Americans, who so far sacrifice their freedom as to ship in our service with the passenger lines.

I can best illustrate briefly the position of the Consumers' League by a personal experience which has made this subject one that, so long as memory lasts, will always be in the front of my mind. It will always impel me to bear witness in favor of more and better seamen than the conditions allotted them have hitherto enabled us to get, and to advocate all, and more than all, those provisions for safety which are now in the La Follette law. We hope that it may continue to be the law, amended from time to time in the direction of greater safety.

I was a passenger on the ship *Kroonland* which went to the



rescue of the burning ship *Volturno*. We sailed from Antwerp on October 4, 1913. The disaster of the *Titanic* and the sacrifice of life on that occasion being fresh in mind, the first thing I did was to go to the deck where the lifeboats were and look (as intelligently as a landlubber might, and it proved afterwards not to be in the least intelligently) at them. Then I looked about to see the men who might presumably be called upon to operate the boats in time of need. They seemed hard to find, very obscure, the seamen on the *Kroonland*. However, when we reached mid-ocean there was a boat drill, and I saw thirteen men, in shabby sweaters with the word "seaman" across the breast, go up to the boat deck and in a perfunctory manner lower an empty boat. Nothing particular happened, and they came down again. We were over seventeen hundred people on board, and the thirteen seamen were put through such a perfunctory drill that I thought I should not like to be lowered in a boat by those men. One of them spoke English, and I said to him: "Where are the rest of the seamen?"—"Oh," he said, "the other half will get their drill tomorrow,"—and he went on his way. Thirteen were drilled at that time.

There was no tomorrow for the next drill, because the disaster happened that night. At eight o'clock the next morning the *Kroonland* received an S.O.S. call, and we went back to the *Volturno*. I forgot to say that our engines were in such bad order when we left Antwerp that we had to lie up seven hours at Plymouth for repairs. We were so slow that, steaming back, a whole day of ten hours passed in going a hundred miles. The sea was rough, but there was no overhead storm.<sup>1</sup> We arrived in sight of the burning ship about six o'clock. The sea was rough and the *Volturno* was disabled, so that the *Kroonland's* boats were not sent out at once. After eleven that night, the waves being somewhat less, the call was made for volunteers to help the seamen. Then everybody knew, what I had learned the afternoon before, that there were more than seventeen hundred people on board, and we were in the act of

<sup>1</sup> We were naturally slow in getting into New York. We sailed on October fourth and landed on the sixteenth at night.

taking on (no one knew at that time how many) rescued people, and there were only twenty-six men employed as "able seamen." It turned out that they had skill, but we did not then know whether they had it.

Because the sea was rough, and the boats were big, and ultimately each one brought in from forty to sixty people (the larger number including many small children), sixteen oars to a boat were needed. Volunteers from the first cabin were not forthcoming, and each boat went out each time with stewards and stokers helping the seamen. The men became so exhausted that for two hours the work of rescue ceased, although some of the other ships which came up meantime, and had more seamen, were able to continue without interruption throughout the night.

It was a great surprise that, though there were known to be over seven hundred people on the burning ship, which had had explosions that destroyed its steering apparatus, threatened its existence, and caused several deaths, only two boats could be sent out from the Kroonland, because there were only twenty-six available seamen helped out by stewards and stokers. Yet the Kroonland had thirty-six boats.

When I came home, and began to inquire what the law was, I learned that a bill had been pending before Congress for nearly twenty years, providing that there must be two able seamen for every lifeboat, and a seat in a boat for every person on a ship that left any harbor in the United States, and that the deck crew must be able to understand the orders given by their officers.

Those requirements are now in the La Follette law. The editorials written by the maritime experts in the Rocky Mountains, Oklahoma, Kansas, and Vermont bear a singular likeness to the editorials in the seaports. They all have a family resemblance in their aversion especially to the provision that such seamen as are required (that is, two for every boat) must be able to understand their orders.

Gentlemen connected with shipping companies would, perhaps, willingly go out in a lifeboat, in a storm, with a coxswain whose crew could not understand what he said. But

women would not. They would rather embark with a crew who understand orders without an interpreter. We cannot always be sure in a shipwreck—when the ship is going down in fourteen minutes—that the interpreter will be just where we need him. It would seem to be an efficiency move to have deck crews understand orders. I never before saw the American press in hysterics over the statement that employes ought to understand their bosses. But the press, from the mountains and desert to both oceans, has for months been weeping bitter tears over the provision that the deck crew who are to save lives must understand their immediate superior officers who are to give them orders when you and I are scrambling into lifeboats.

The Consumers' League does not believe that the La Follette bill has killed shipping on the Pacific. We believe that the ships from the Pacific have come to the Atlantic where profits are great. We do not believe that the bill has killed American shipping on the Atlantic. We know that many people are staying at home, because they fear being killed by malice this year, who would in the normal course of events have gone to sea if they had had to face only the customary risk of death by negligence.

The La Follette law took effect in part only on November 1, 1915; most of it will not take effect until next January and March 1916. We believe that the war has more to do with the present situation than a prospective law of which only one-third of the provisions are yet even nominally enforced.

It is the deliberate intention of the Consumers' League to stand by the La Follette law. The League unanimously endorsed it, and sent the only passenger, as far as we are able to learn, who ever appeared as such, to address a congressional committee in its behalf. We shall oppose in every possible way any serious modifications in the La Follette law. We disapprove of the policy of Mr. Redfield in reducing it by interpretation. We shall continue to call the attention of those who travel to the risks involved in every amendment, and in every reduction of the law by interpretation, and to the utter cynicism of the campaign of the shipping companies and the

press against having crews who understand their officers when our lives are at stake.

It is an international and a national misfortune and shame that, by the shirking and default of the traveling public, this law which concerns us all quite as much as it does the seamen, has been allowed to become indeed the Seamen's Law. It is the law for safety at sea, and it contains certain provisions which are advantageous to the seaman. But what is advantageous to him because of the low level at which he has hitherto been forced to live, is also advantageous to the traveling public, because it holds a promise that more and better seamen may henceforth be employed.

Had the La Follette law been in force, *and enforced*, the Eastland could not have been so crowded, for boats and rafts would have occupied much deck space. The loss of life might have been reduced also by the presence of more and better seamen. For the sake of educating the public in regard to the law for safety at sea, the Consumers' League has undertaken to work for a congressional inquiry into the Eastland disaster.

## PROBLEMS GROWING OUT OF THE TITANIC DISASTER <sup>1</sup>

THOMAS I. PARKINSON

Legislative Drafting Research Fund, Columbia University

**T**HE problem of securing safety at sea involves the construction, equipment and operation of vessels, and incidentally involves a number of other questions, such as the type of seamen employed in the operation of vessels and the extent of liability of shipowners for losses due to accident.

Following his investigation of the Titanic disaster, Senator Smith, chairman of the Senate investigating committee, prepared two bills. One of them provided for the creation of a commission to study the whole question of construction, equipment and operation of vessels, and to revise the laws and the rules in force in this country so that construction, equipment and operation might be regulated in the interest of safety, not only for the seamen, but for the passengers, and indeed for the persons whose money is invested in the shipping business. That bill provided for the appointment by the President of a commission consisting of one naval constructor, one officer of the navy experienced in marine engineering, one representative of the steamboat inspection service, one representative of the Society of Naval Architects and Marine Engineers, one experienced merchant shipbuilder, one shipowner or officer of a corporation owning and operating ships, one experienced seaman and one attorney-at-law, for the purpose of making a thorough investigation of the laws and regulations of the United States relating to the construction, equipment and navigation of vessels. The bill died without exciting any interest either before Congress or before the general public.

The other bill, presented by Senator Smith, provided for

<sup>1</sup> Read at the meeting of the Academy of Political Science, November 13, 1915.

the control of foreign-owned vessels in the interest of securing information as to their ownership and financial control, and in some detail attempted to provide for construction, equipment and operation. When this bill was drawn—and it was drawn in about three days—it was perfectly well understood that no one was capable, in the time available, of formulating rules having the force of law, regulating such important technical problems as the construction, equipment and operation of vessels. The bill was put in as an indication of some possibilities of improvement, but the important bill, which was presented to Congress at that time, in my opinion, was the one which asked for the creation of a technical commission to study this subject and bring our laws up to date in the interest of every party concerned.

No such commission was created. Indeed, there was no particular interest in the proposal. There was then pending a proposal to hold an international conference on the subject, and the general opinion of those to whom the commission proposal was submitted was that the whole matter was one for international regulation, and would be dealt with by the Conference on Safety in London. The London Conference did deal with the subject, but when our representatives to that conference came to discuss the terms of international regulations in the interest of safety, what was their preparation? How could they state the position of the United States on the various technical questions involved? We had made no preparation for the conference except what a few officers of the government were able to do in addition to their regular routine duties. An informal committee, consisting of officers of the navy, the commissioner of navigation and the inspector general of the steamboat inspection service, endeavored to get technical material, mathematical calculations and exact information on the subject which was to be discussed at London.

The lack of thorough technical information and consideration was emphasized in the report of this committee to the Secretary of Commerce, in which it is stated:

There were no funds at the disposal of the Department which were



available for the organization and work of a technical committee which could thoroughly investigate and make detailed calculations relating to the subject-matter in question for use before the proposed international conference on safety at sea, although it was known that similar investigations and calculations were then in progress in several foreign countries under the supervision of highly skilled technical committees with ample resources at their command.

And, again, in the same report, the committee said:

The committee also deems it important to emphasize a fact which is already no doubt thoroughly appreciated by the Secretary, namely, that definite information concerning many of the important questions embraced in the list prepared by the committee can only be obtained through careful and exhaustive research by a body of experts specially detailed for said work and having at their command ample resources to prosecute their investigations to a satisfactory conclusion. Moreover, the importance of this and allied subjects under the jurisdiction of the Department of Commerce is so great that the committee is impelled to point out the advisability—indeed the necessity—of having in the Department of Commerce a technical body suitably equipped and qualified to pass upon all the technical questions which so frequently arise with respect to the suitability and the proper construction of vessels and their equipment. Such a body of experts could act with knowledge and authority in technical matters in dispute and would greatly assist in the execution of rules already established by standard classification societies and would also facilitate and encourage improvements in such rules tending to increase the efficiency of vessels for the purpose for which intended, with concurrent regard for the safety of passengers and crew.

It is recognized that the provision of such expert assistance for the Department of Commerce would require new legislation, but the importance of the subject is so great that the committee deems it a duty to recommend its serious consideration by the Secretary.

Our representatives went into the London Conference at exactly the same disadvantage as that with which we all approach the discussion of this subject. It is highly technical, and until it has been studied from every angle by men possessing the various kinds of technical ability involved in its consideration it cannot be dealt with intelligently and permanently either by Congress or by any international agreement.

The Titanic disaster was due probably to excessive speed in the ice-fields. Its tragic consequences were unquestionably increased by the lack of lifeboats efficiently manned, but, as the chairman has indicated, a very recent disaster in our waters was due, not to speed, but to some defect in construction or operation. The *Eastland* turned turtle at her dock in Chicago. It has even been suggested that her lifeboat equipment tended to make the boat topheavy. Each disaster has its peculiar causes, and remedying the cause of one gives no reasonable assurance of avoiding another. Nevertheless, our navigation officers seem to confine their efforts at revision of our laws to proposals to meet the specific situation disclosed by each new disaster. Following the burning of the *Slocum*, there was agitation for more careful inspection and a better supply of life-belts. Following the *Titanic*, the need of better lifeboat equipment was emphasized. And now, following the *Eastland*, it is reported that the Department of Commerce has framed a bill to give the federal government control of the construction of vessels of more than one hundred tons. This activity to remedy specific defects immediately after each accident tends to prove, as in the law of negligence, that the failure to act prior to accident involved some lack of care. The gradual patching of our laws may ultimately make them more satisfactory than they are now, but we cannot hope to avoid disasters on the water until our rules and regulations and the laws on which they are based, are revised to meet modern developments in the building and operation of ships after careful study of the whole problem in all its many ramifications. Senator Smith's joint resolution introduced in the Senate on May 28, 1912, providing for the creation of an expert commission to investigate the rules and regulations for the construction, equipment and navigation of vessels, ought to be speedily revived and enacted by Congress, and public interest in the work of the commission focused upon it in an effort to inspire a thoroughgoing investigation and revision to secure greater safety at sea.

By this I do not mean the creation of a governmental agency to foster American shipping or to assist in the development of

an American merchant marine. An agency to develop and foster American shipping ought not at the same time to be entrusted with the problem of regulating shipping and ship-owners in the interest of the general public. Stimulating and fostering a mercantile marine through a government agency means official endeavor to smooth the path of builders of ships and investors in shipping, and this attitude is likely to inspire in the officers to whom it is entrusted a tendency to let down the standards of safety required by the public interest. We need for transportation by water what we have for interstate transportation by land, *vis.*, a government agency whose primary duty it is to see that the business is carried on with fairness and safety to the general public. If we are to enter upon any systematic development of transportation by water, and especially if we are to develop federal agencies to promote the building and operation of American ships, we must not forget that security and justice to the traveling and shipping public require regulation by an agency whose sole duty is the enforcement of the law in the public interest.

The problem of safety at sea is affected in an important manner, though indirectly, by the extent of the shipowner's liability for losses by accident. The absence of any liability is apt to encourage the owner to take the chance of disaster, whereas the probability of a heavy financial responsibility, in case of disaster, would tend to inspire an earnest effort to prevent accident. Whether our present statutes and decisions in admiralty on the subject of the owner's liability tend to develop his interest in preventing accidents or his interest to make a profit at the risk of safety, may be judged from a summary of their effect.

In the first place, the owner is exempt from all liability where the loss is due to a peculiar hazard of the sea. There is here no question of limited liability; for such losses the owner is simply not liable in any degree.

For injury to a seaman, the owner is not liable unless the accident was due to his own actual negligence. He is not liable for the negligence of the master or of the crew, though the La Follette act now provides that the seaman exercising

control or direction over another seaman is not hereafter to be considered a fellow-servant of the seaman so directed. Substantially the only liability of the owner to the injured seaman is to care for him during the remainder of the voyage. Many years ago the federal government collected from owners a tonnage tax, which the owner was permitted to deduct from the seaman's wages and which was used for the marine hospital maintained by the United States. That tax has since been discontinued and the hospital is now supported entirely by government appropriation. In grave contrast to this lack of liability under our laws for injuries to or the death of his seamen, the shipowner is liable under the laws of Great Britain and the great European maritime countries to pay the sums provided by the workmen's compensation acts in those countries. It seems curious that neither our state compensation laws nor the federal employer's liability laws nor the proposed federal workmen's compensation law makes any provision for compensating injured seamen or their dependents. Development of our much-desired mercantile marine ought not further to be planned on any basis which involves injustice to the individuals who suffer from injuries to or the death of seamen while engaged in their very hazardous employment. It would seem not to require much urging to secure the inclusion in the proposed federal workmen's compensation act of provision for compensation for seamen employed in interstate or foreign transportation by water.

For death at sea, however much it may be due to negligence, and however much might have been recovered had the accident resulted only in injury instead of in death, no action can be maintained in our admiralty courts unless by resort to the law of a state or some foreign country. The ancient rule of the common law that the action dies with the person, still maintains in our admiralty courts despite the fact that it has elsewhere been abolished by statute. Practically all of our states and foreign countries have provided in statutes, which have come to be known as "Lord Campbell's Acts," for the maintenance of an action to recover for death due to negligence. Our admiralty courts recognize the justice of this rule

and go out of their way to give such a right of action by applying the law of the flag of the ship. If it is a ship engaged in coastwise traffic and registered in New York, the New York Lord Campbell's Act is resorted to as a basis for an action in the federal court. If it is a foreign ship registered under the French law, resort is had to a similar law of France to authorize the maintenance of the action. Justice in such cases ought not to depend on the existence in other countries of an enlightened rule of law which has not yet found recognition in our own admiralty statutes. A bill to give our admiralty courts jurisdiction of actions for death from negligence has been pending in Congress for several years and ought speedily to be enacted in some form.

And, then, on top of all this, for any accident however it occurred and with whatever kind or amount of damage, if there is any liability on the owner it is to the extent only of the value of the wreck after the accident. In the case of the Titanic disaster, that meant that the owner was liable for only \$90,000, that being the amount which had been paid for passage and freight. The vessel was a total loss and the owner was under no further liability whatever. For this same disaster the owners were liable under the laws of England, not for \$90,000, but for nearly \$3,000,000. This is a strange contrast between a country concerned about the possibility of broadening the development of its merchant marine and a great mercantile country—the one with substantially no liability and the other with a very substantial liability. Strangely enough, the present state of our limited-liability rule came about through an attempt on our part to copy the English rule. When Congress enacted our first limited-liability law in 1851, the English law limited the owner's liability to the value of the vessel. But note this important difference between the interpretation of that law and the interpretation of our present law: the English law was interpreted to mean the value of the vessel at the time she sailed on the fatal voyage; our law has been interpreted to mean not her value at the commencement of the voyage, but her value as a wreck after the accident. Great Britain has since substituted for the rule which we



copied with such curious results a law which fixes the liability of the owner for loss to passengers and goods at fifteen pounds per registered ton. Meanwhile, our law, by amendment and judicial decision, has been made applicable to foreign as well as American ships, to lake, river and coastwise as well as ocean-going ships, and to practically all actions commenced in our courts to recover damages for accident no matter what the flag of the ship or the status of the claimant. The decision of the United States Supreme Court on the application of the owners of the Titanic to limit their liability under our laws practically insures the limitation of the owner's liability to the value of the wreck in every case of action begun in our admiralty courts.

Increased liability of owners for losses at sea would have some indirect effect in increasing safety at sea. While Mrs. Kelley has said there is no interest in this country in safety, I think it is fair to recognize the fact that safety campaigns now being conducted in this country have accomplished something in the interest of safety in places of employment on land. I think the real reason for the success of these campaigns can be found in our workmen's compensation acts, which have placed on owners and employers a substantial liability for every accident happening in their plants. It is, of course, to their interest to prevent accidents, even if they are not financially responsible for results of accidents, but there is no better way to bring home to them the fact that it is to their interest to prevent accidents than to make them feel the financial burden involved in the accident. And so I suggest that in this very difficult and technical field of increasing safety at sea we can hope that by increasing the liability of the owners and by practically compelling their insurance of that liability in insurance companies we can inspire the co-operation of the men who know most about safety at sea on its technical side, to assist the government in devising effective rules and regulations to bring about greater safety.

In every field of governmental regulation of private business there is a very grave and difficult task on the hands of the legislator. The men who know most about the subject to be



regulated do not ordinarily come forward and give the legislature the benefit of their knowledge and assist in the construction of a law which, without involving unnecessary hardship, will accomplish the desired purpose. They stand back and allow the law to be enacted in defective form or in language involving unnecessary burden on the business regulated, and then criticize it after it is on the statute-books. We had one significant exception to this rule. When the Federal Reserve Law was before Congress, the bankers, realizing that the best way to prevent undesirable legislation was to help frame that legislation, gave to Congress the benefit of their criticisms and suggestions. They educated the committees of Congress in the technical aspects of their business and thereby made possible a law accomplishing its purpose without unnecessary hardship.

Now, it may be that this La Follette Seamen's Law contains provisions which are unnecessarily burdensome on owners. We can only tell whether it lays such burdens by its actual effect in operation. We cannot depend upon the ridiculous statements which are being made as to its effect. Indeed, the shipowners and shipping interests are probably making the same mistake in their propaganda against the Seamen's Law that was made by inconsiderate employers who fought workmen's compensation laws as destructive of the state's industries, and as likely to drive industry to other states. Nothing contributed more to the rapid progress of workmen's compensation laws throughout this country than the unfair and baseless charges that they would operate to the detriment of industry. Such charges, if true, are effective, but if untrue, generally prove a boomerang.

All parties interested in these allied subjects of safety at sea and the owner's liability for losses should join in an earnest effort to secure a full and fair study of the problems involved with a view to the most effective and fair regulation in the interest of safety and justice. Whether our laws on these subjects should ultimately take the form of acts of Congress or of international treaties, the intelligent determination of their exact form and effect depends on technical information, calcu-

lation and consideration which can be expected only from a properly organized special commission with full powers.

It is unquestionably desirable that we have international agreements on both subjects. On both it is impossible for any one nation to legislate justly and effectively, just as it would be impossible for any one state to legislate on the subject of interstate railroad operation. We don't want ships subject to one set of rules and regulations in New York harbor and to a totally different set of rules and regulations in foreign harbors. We don't want the victims of accidents, especially our own citizens traveling in British ships, unable to recover any substantial damage in the American courts, while able to recover very substantial damages in the British courts. These are proper subjects for international agreement, but every agreement involves compromises. If we go into national conferences to reach an agreement on either or both of these subjects, what standards are our representatives to advocate? On the subject of limited liability, are they to join with Germany and with France, countries which have practically our low limit of liability, and endeavor to compromise England's high limit down, or are they to join with England, which has a substantial liability, in an effort to compromise the German and French limits up? On the subject of rules and regulations governing shipping and the rights of seamen, are our representatives to join with countries whose laws are like our own or worse, and advocate national acceptance of our present standards, or are they to join with the representatives of those countries which have better and more enlightened laws, and advocate international approval of higher standards? Our present standards are higher than those of some, but lower than those of other foreign countries.

In matters involving justice and safety to individuals, we cannot afford to be the advocates of international adoption of the lower standard. As a nation, we ought not to sacrifice principles of justice to expediency. The much-desired development of our mercantile marine ought to be founded upon the firm basis of justice to all parties concerned. If this is to be done, I believe it essential that Congress create such a com-

mission as that proposed in Senator Smith's bill, introduced after his study of the Titanic disaster. If such a commission is properly organized, if its members are selected because of their capacity to deal intelligently with the various technical problems involved, and if the shipowners and shipping interests will contribute honest, frank co-operation, we can get a basis for future regulation in the interest of safety and for a fair rule of liability for losses whether it be incorporated in an act of Congress or in an international agreement.

Note.—Since the above paper was read, namely, on November 22, the following resolution was adopted by the members of the India House:

(1) That authority be conferred on the President of the United States to suspend the operation of such of the provisions of the Seamen's Act as he shall consider detrimental to the public interest until the entire subject of the development of the American merchant marine can be dealt with on a basis of permanency; and

(2) That Congress create a permanent commission or shipping board composed of men experienced in shipping and foreign trade, with authority to investigate all shipping problems and to submit to Congress recommendations for legislation covering the following subjects:

- a. The revision, amendment, or repeal of the Seamen's Act.
- b. The revision of the navigation laws and rules and regulations based thereon.
- c. The establishment of regulations concerning the structural strength, equipment and load line of vessels.

#### APPENDIX A

Tentative draft of a bill to authorize actions in United States admiralty courts to recover damages for death at sea—a Federal Lord Campbell's Act.

Sec. 1. Wherever the death of a person is caused on the high seas or on any navigable waters by such wrongful act, neglect or default as would, if death had not ensued, have rendered the person, corporation or vessel causing such injury liable therefor in a district court of the United States in admiralty, such person, corporation, or vessel shall be liable to an action for damages for such death in the said district court in admiralty.

Sec. 2. Suits in admiralty for the recovery of damages for death so caused shall be brought only under the provisions of this act and shall be for the benefit of the decedent's surviving widow or husband and children, and if none, then of the decedent's parents, and if none, then of the next of kin dependent upon the decedent. Every such suit shall be brought by the decedent's personal representative, but if suit is not begun by the personal representative within a reasonable time after the cause of action arises, it may be brought by any person who, under the provisions of this act, would be entitled to participate in the distribution of any damages recovered therein.

Sec. 3. No action hereafter brought to recover damages for injury to a person on the high seas or on any navigable waters shall abate by reason of the death of the plaintiff, but the personal representative of the deceased may be substituted as plaintiff and the action be prosecuted as an action under this act; but not more than one suit may be maintained in the admiralty courts of the United States for the injury to and the death of such person.

Sec. 4. Every suit brought under the provisions of this act shall be begun within two years after the cause of action arises, except that in no case shall the right of action be deemed to have lapsed until the expiration of ninety days after a reasonable opportunity has been had to secure jurisdiction of the vessel, person or corporation sought to be charged.

Sec. 5. In all actions brought under this act, the fact that the deceased was guilty of contributory negligence shall not bar recovery, but the damages recoverable in such cases shall be diminished by the court in proportion to the amount of negligence attributable to the deceased; provided that the deceased shall not be held to have been guilty in any degree of contributory negligence in any case where the violation by the defendant of any statute, rule or regulation of the United States enacted or made for the safety of persons at sea or on navigable waters contributed to his death.

Sec. 6. This act shall not affect the rights of shipowners and others to avail themselves of the provisions of the laws of the United States relating to limitation of liability.

NOTE.—This bill, if enacted into law, would simply authorize dependents of persons killed at sea to maintain an action for damages in our admiralty courts. At present, the ancient rule of the common law that causes of action for personal injury die with the injured person still obtains in the United States courts of admiralty, though in practically every other jurisdiction in this country and in Great Britain this old rule has given way to the modern idea that the personal representative of the dependent should be able to maintain an action for the benefit of the decedent's surviving kin. The proposed statute would simply adopt this modern rule for our courts of admiralty and thereby make their jurisdiction in this matter uniform with that of all other courts in this country. The draft herewith submitted is merely tentative. It indicates the kind of legislation needed to accomplish the desired result. It is practically a revision

of the Peters Bill which was pending in the last Congress. It follows generally the English Lord Campbell's Act and the United States Employers' Liability Act of 1908.

## APPENDIX B

Tentative draft of a bill to amend the United States laws limiting the liability of shipowners for losses at sea. The matter in italics is new; the balance of the proposed amendment is the present law.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that section 4283 of the Revised Statutes be and the same is hereby amended to read as follows:

"The liability of the owner of any vessel, for any embezzlement, loss or destruction, by any person, of any property, goods or merchandise, jury by collision, or for any act, matter, or thing, lost, damage, or for-jury by collision, or for any act, matter, or thing, lost, damage or forfeiture, done, occasioned, or incurred, without the privity, or knowledge of such owner or owners, shall in no case exceed the amount or value of the interest of such owner in such vessel *immediately prior to the happening of the event out of which such liability arises* and her freight then pending."

Section 2. That section 18 of the act of June 26, 1884, p. 57, volume 23, of the Statutes at Large be and the same is hereby amended to read as follows:

"That the individual liability of a shipowner shall be limited to the proportion of any or all debts and liabilities that his individual share of the vessel bears to the whole; and the aggregate liabilities of all the owners of a vessel on account of the same shall not exceed the value of such vessel *immediately prior to the happening of the event out of which such liability arises* and freight pending: Provided, That this provision shall not affect the liability of any owner incurred previous to the passage of this act, nor prevent any claimant from joining all the owners in one action; nor shall the same apply to wages due to persons employed by said shipowners."

Section 3. That section 4285 of the Revised Statutes be and the same is hereby repealed.

Section 4. This act shall take effect immediately but shall not affect any liability incurred previous to the time it goes into effect.

NOTE.—Section 4285 of the Revised Statutes, which this proposed bill would repeal, provides as follows:

"It shall be deemed a sufficient compliance on the part of such owner with the requirement of this Title relating to his liability for any embezzlement, loss, or destruction of any property, goods, or merchandise, if he shall transfer his interest in such vessel and freight, for the benefit

of such claimants, to a trustee, to be appointed by any court of competent jurisdiction, to act as such trustee for the person who may prove to be legally entitled thereto; from and after which transfer all claims and proceedings against the owner shall cease."

It was this provision that resulted in the decisions of the United States Supreme Court that the measure of the shipowner's liability was the value of the wrecked vessel after the accident. The English law, after which our limited-liability laws were modeled, fixed the owner's liability at the value of the vessel when she sailed on the fatal voyage. There was nothing in the English law specifically authorizing surrender of the wrecked vessel by her owner and his avoidance thereby of all further personal responsibility. As has been said, the insertion of this provision in our statutes resulted in the ruling that since the owner could escape all liability by abandoning the vessel to claimants, our statutes clearly meant that the limit of liability was the value of the wrecked vessel which might be thus surrendered. The repeal of this provision would place our law in the same position as that of the English law at the time we copied it. It would obligate the owner to reimburse persons damaged to *the extent of the value of the vessel when she sailed*, which means practically in the amount for which the owner had insured the vessel. In cases of disaster this would mean that the claimants would have recourse to the insurance money. Under our present law claimants cannot attach or otherwise secure any part of the insurance money received by the owners. This repeal is suggested tentatively merely as a means of undoing the extremely important variation of the English law on which our limited-liability laws were founded. If this repeal were enacted it is probable that we should later follow some such course as that adopted in England, namely, the limitation of the owner's liability to a fixed sum per ton of the registered tonnage of the ship.

The proposed amendments to Section 4283 of the Revised Statutes and to Section 18 of the Act of June 26, 1884, are intended merely to make clear the fact that the intent of the proposed bill is to change the measure of limited liability from the value of the vessel after the accident to the value of the vessel immediately before the accident.

It is, of course, recognized that the proposals of this bill are tentative in the extreme. The question of the proper limit of the owner's liability teems with problems of policy which must be definitely determined before any satisfactory bill can be drawn. The draft submitted merely indicates the way in which our laws on this



subject could be relieved from the curious result of our attempt to follow the English law, a result which was illustrated in the Titanic case by a liability under our laws of \$90,000 as contrasted with a liability under the English laws of nearly \$3,000,000.

### APPENDIX C

Tentative draft of a bill to create a commission to investigate safety at sea and allied subjects and to report its recommendations to Congress as a basis for either congressional legislation or future international agreements respecting the construction, equipment and operation of vessels, the condition of seamen, and the liability of ship-owners for injuries or death at sea.

#### JOINT RESOLUTION

Providing for the creation of a commission to investigate the laws and regulations for the construction, equipment and navigation of vessels, and other questions relating to safety at sea.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That a commission be, and the same is hereby, created, to be appointed by the President, and to be composed of one naval constructor, one officer of the Navy experienced in marine engineering, one representative of the Steamboat Inspection Service, one representative of the Society of Naval Architects and Marine Engineers, one experienced merchant shipbuilder, one shipowner or officer of a corporation owning and operating ships, one experienced seaman, and one attorney-at-law. The President shall designate one of his appointees as chairman of the commission.

Sec. 2. The commission shall make a thorough investigation of the laws and regulations of the United States relating to the construction, equipment and navigation of vessels, the terms and conditions of the employment of seamen, the liability of shipowners for personal injury or death at sea, the effect in operation of such laws and regulations, and all other questions relating to the general subject of safety at sea; and shall report its findings and recommendations, together with a draft of bills and rules or regulations before January first, nineteen hundred and eighteen.

Sec. 3. The commission is authorized, as a whole or by sub-committees of the commission duly appointed, to meet and to hold public hearings anywhere in the United States; to issue subpoenas for and compel the attendance of witnesses; to administer oaths; to examine witnesses; and to require the production of books, papers, documents, and other evidence. The several departments and bureaus of the government, when directed by the President, shall furnish the commission, upon its request, all records, papers and information in their possession relating to any subject under investigation by the commission.

Sec. 4. The members of the commission other than those in the service of the United States shall be paid a compensation of ten dollars per diem while actually engaged on the work of the commission and while going to or re-

turning from such work. The commission is authorized to employ such secretaries, experts and other assistants as shall be necessary, to fix their fees or salaries, and to authorize them to travel in or outside the United States on the business of the commission; to rent such offices; to purchase such books, stationery, and other supplies; and to make such other expenditures as may be necessary to carry out the purposes for which such commission is created. The members of the commission, and, when authorized by the commission, their secretaries, experts and other assistants, shall be paid actual traveling and other necessary expenses.

Sec. 5. All expenses of said commission for all the time in which said commission shall be actually engaged in this investigation shall be paid out of any funds in the Treasury of the United States not otherwise appropriated, on the certificate of the chairman of said commission, and the sum necessary for carrying out the provisions of this resolution is hereby appropriated.

(112)

## THE WORKING OF THE SEAMEN'S ACT <sup>1</sup>

EMERSON E. PARVIN

Secretary, International Mercantile Marine Company

IN the letter of the president of the Academy inviting me to be one of the speakers on this occasion on the topic, "Safety at Sea, and the Protection of American Seamen," he stated that the symposium would present the different views of the probable working of the Seamen's Act. The title of this act is: "An act to promote the welfare of American seamen in the merchant marine of the United States; to abolish arrest and imprisonment as a penalty for desertion and to secure the abrogation of treaty provisions in relation thereto; and to promote safety at sea." It is somewhat significant that the president of the Academy puts safety at sea first, while the author of the bill mentions it last.

Although the act did not come into force as to American vessels until November 4th instant, a scrutiny of its provisions by practical men not only revealed its inadequacy to fulfil the high promise of its title, but also demonstrated that it would be a powerful weapon against the upbuilding of an American merchant marine, legislation to accomplish which was specifically promised in the platform adopted at Baltimore on which the present Administration went into office. Consequently, another title has now been suggested for the bill, *vis.*: "An act to discourage American shipping; to involve the Administration in irritating controversies with friendly powers; and to ensnare the votes of organized labor."

The bill was passed without a roll-call in either house, and became a law by the signature of the President on March 4th, 1915, in his room at the Capitol. When he left the White House two hours earlier he was still uncertain as to what he would do with the bill, and he took it along with him. One

<sup>1</sup> Read at the meeting of the Academy of Political Science, November 13, 1915.

of the Senators who was largely responsible for the passage of this legislation, according to the *Providence Journal* of March 8th, "boasted of the fact that he was a landlubber; that he had nothing to do with the framing of the bill; he was ignorant of the subject-matter, and had no intelligent notion of its possible effects and consequences except that he was sure (and in this he was undoubtedly right) that it was satisfactory to the lobby which represented the Seamen's Union."

The reputed author of the bill is Mr. Andrew Furuseth, president of the Seamen's Union, who was one of the delegates from the United States to the International Conference on Safety of Life at Sea which met in London in the fall of 1913, the convention being signed at London, January 20th, 1914, an authenticated copy of which was sent to the Senate by the President March 17th, 1914, but never ratified by that body.

The convention embodied the unanimous conclusions of the international conference, which was comprised of the representatives of the fourteen principal maritime nations and of three of the self-governing British dominions. The Secretary of State, in his letter of transmittal, says under date of March 13th, 1914:

The conference was called in a large measure upon the suggestion of the government of the United States, and the advice of the American delegation was influential upon a great many particulars which entered into this convention. The conference was composed of men trained to the sea and experienced in the administration of the laws relating to maritime affairs, and its unanimous conclusions carry weight on the matters of which the convention treats. The American delegates, who took an active part in the framing of every article and regulation of the convention, are agreed that the international standards for the safety of life at sea thus proposed to be established are higher than those of any nation now in force, and that the ratification of the convention will secure benefits for humanity by the joint action of maritime nations which could not be accomplished by any one nation, however powerful upon the sea.

The words of the Secretary of State quoted above, "The American delegates who took an active part in the framing of every article and regulation of the convention," are well

chosen, for one of the American delegates, the president of the Seamen's Union, the same Mr. Andrew Furuseth, was not one of those who had the honor of framing these praiseworthy rules and regulations, having resigned and returned to the United States when it became evident that he could not force his views upon the whole convention.

Why the Senate would not ratify this convention as a whole is a question I cannot answer, but in the light of the subsequent legislation which Congress passed, and which is the subject now before this meeting, the attitude of Congress is at least interesting. It is true the life-saving provisions of the convention are incorporated in the Seamen's Bill, and are being complied with by owners of American steamers at considerable cost, while steamers of foreign countries whose inspection laws approximate our own are exempt under the ruling of the Attorney General of the United States.

The act is now a law. The word "law" means a rule of action established by authority, and hence a law must be obeyed by those who created the power that made it. This truth was recognized and acted upon by the Pacific Mail Steamship Company when they found that it would be impossible to continue the operation of their ships and comply with the law.

The first hardship which the Pacific Mail Company foresaw in the bill was the language test. It is well known that the ability to meet competition depends upon the efficiency and economy of operation. Wages often form the crux of the situation, and they were of first importance to the Pacific Mail, which even with low-priced labor was not in ordinary times able to show earnings commensurate with the investment and an adequate reward for the experience and skill required in operation. The act provides that no ship of any nationality

shall be permitted to depart from any port of the United States unless she has on board a crew not less than seventy-five per centum of which, in each department thereof, are able to understand any order given by the officers of such vessel, nor less than forty per centum, in the first year, forty-five per centum in the second year, fifty per centum in the third year, fifty-five per centum in the fourth

year after the passage of this act, and, thereafter, sixty-five per centum of her deck crew, exclusive of licensed officers and apprentices, are of a rating not less than able seamen.

This language is perfectly plain; the result would be that no American ship could carry other than an English-speaking crew, in all departments, and must therefore go out of business; for with equal rates for freight and passengers it would be impossible to meet the competition of the Japanese ship which has the benefit of a low wage scale, low subsistence cost, and in addition receives a most substantial subsidy from the Japanese government, ranging from \$238,000 to \$1,340,000 gold per annum. Furthermore, as the Japanese ships and ships of other foreign nations are today manned by native officers and crew, it follows that the crew understand all orders given them in every department of the ship. As the requirements above referred to will apply to European ship-owners equally with American, after March 4th, 1916, there will be no encouragement for such owners to try their luck on the Pacific in competition with ships so advantageously placed as to wages and costs as the Japanese.

The sale by the Pacific Mail Steamship Company of five of their ships immediately brought forth a very strong protest from the Department of Commerce, and the general manager of the company was criticized by the head of the Department of Commerce for acting as he did. The Secretary of Commerce stated in a letter to the Secretary of the Treasury, dated October 7th, 1915, that he was astonished that a great business should be thus sacrificed (if this indeed were the case) without the least inquiry upon the subject from the sole available certain source of information, and that the alleged basis of the proposed sale of the ships was not a basis which existed in fact.

The Secretary then goes on to say that the Pacific Mail should have complied with the law for a period of not less than six months after learning how the department construed the law, and thus be in position to come before Congress with the actual results of such experience. In other words, ruin your business, and lose a chance to sell your ships on a willing



market at a minimum of loss, and then come to Congress and ask for—what? Sympathy? Redress? It is not likely that a company devoid of enough sense to fly from a coming storm would, after being wrecked by ill-advised legislation, be considered worthy of consideration by a Congress which has been described as acting with respect to the Seamen's Bill "as completely subjugated by organized labor, or grossly careless of the effect of the legislation it enacts." As the president of the Pacific Mail Company stated, "even if it were in the power of the Secretary to construe away the noxious provisions, what reason had the Pacific Mail Company to believe that the power behind the throne which secured the law would permit a disregard of the very provisions which that power most valued?" And it might be added, as expressed in a recent issue of the *New York Journal of Commerce*, that if the language test can be construed away, it is pertinent to ask why this requirement was made in regard to any crew containing foreigners?

The Secretary of Commerce, who must administer the law, has already issued several circulars limiting and softening some of the objectionable features of the act, but even this action, which to the layman seems like individual and not congressional interpretation, may not be final, for the object of the bill was to promote the interests of the Seamen's Union, which union will hardly be satisfied, after so many years of hard work, with an emasculated measure. However, the Secretary of Commerce, being placed by this act in a difficult position, will naturally do what he can to satisfy all concerned, and in so doing very likely satisfy no one, for only a day or two ago the department received a telegram from Mr. Furu-  
seth, president of the Seamen's Union, dated San Francisco, protesting against the stringent provisions of the physical examination section of the new law. He wants concessions made to some of the seamen; for instance, for those who were rejected because of poor eyesight, for one man who had only one eye, for another because he had lost two fingers. Mr. Furu-  
seth claims these men can perform their duties as well as men who have not suffered such afflictions. It would appear that

the jobs of some of the members of the union were in jeopardy because of the Seamen's Act, and they must be excused from complying with its very wise provisions. A concrete illustration of the actual working of the act is furnished in the following telegram from the San Francisco office of our company, which recites the difficulties encountered at the sailing of the steamer Mongolia, the last of the steamers bought by the Atlantic Transport Company from the Pacific Mail S.S. Co.:

SAN FRANCISCO, NOV. 10, 1915.

P. A. S. FRANKLIN,  
9 Broadway, New York.

Steamship Mongolia sailed 1.30 P. M. Anchored Bay Tuesday noon pending slight engine repairs with full complement, according law, certified seamen and lifeboatmen. Union launch about 2 P. M. took off 8 seamen after they had struck owing refusal commander advance wages fifty per cent. Steamer left anchorage with 4 A. Bs aboard. Replaced all vacancies by 8 P. M. Collector Customs notified commander 10 P. M. that ship could not proceed to sea as sworn affidavit had been made that she was short of certified seamen. Took commander and 4 men off this morning, had them certified, passed, proceeded on board. Meantime union launch had taken off two quartermasters. As about proceed supply vacancies all launches and tugboats harbor refused take off any non-union seamen. Finally procured launch got needed men aboard, ship sailed immediately. Most disgraceful incident and discloses workings new Seamen's Law. Ship picketed constantly with men offering liquor sailors and firemen endeavoring persuade crew leave ship offering higher wages good positions.<sup>1</sup>

The company which I have the honor to represent is doing everything possible to comply with the terms of the act, and should an adverse situation develop through circumstances over which we have no control, the Secretary of Commerce has intimated that he will take into consideration an honest effort on the part of the shipowner; will construe the law in a fair spirit, and assist the owner in his efforts to comply with the law.

No company objects to rules and regulations, wisely deter-

<sup>1</sup> See p. 123.

mined upon, and practical in their application, without respect to the cost thereof. What they object to strongly in this act is, first, the evident purpose of the author to bring about a world-wide seamen's union which shall say whom the owners shall employ and what wages shall be paid; and second, the fact that while the war lasts the American merchant marine has to carry the whole burden of the law and continue in these adverse circumstances to do business on a competitive basis; and the burdens thus placed upon the American ship are in excess of those found in the maritime legislation of any nation with which American vessels are expected to compete.

We may as well here eliminate from the discussion the provisions of the act with respect to flogging, butter and water. Flogging was illegal before the Seamen's Act was passed. As to the increase in the amount of butter and water provided for by the bill, an examination of the printed crew bill-of-fare of an American steamer—for instance, the Philadelphia of the American Line—would disclose at once the intention behind the provision, which was to create a false sentiment in favor of the sailor. This applies also to the flogging clause in the act.

Section 4, which provides for the payment of one-half part of the wages of a seaman to which he is entitled at every port where the vessel loads or delivers cargo before the voyage is ended, will result in great hardship to the average sailor's family when he is away from home; for he is improvident, and subject to temptations of the worst sort. It will militate strongly against the efficiency of the men, and it consequently bears directly upon the question of safety.

But a full realization of the effect of this payment of half-wages cannot be had except it be considered in connection with section 7, which minimizes the offense of desertion, and section 17, which abrogates provisions in treaties for the arrest of deserters. The combination of these provisions produces a situation which is simply iniquitous. A seaman can desert and forfeit only his kit and the amount of wages due him, which under the half-pay clause will be nothing. For example, a sailor can sign on in Liverpool for the voyage to New York

and return. When he arrives here he can demand one-half his wages, receive the amount, then desert, and there is no power given American officials to arrest him. He re-ships on the steamer or any other vessel, and the union will see to it that the captain gets no seamen at less than the wages of the port. This the owner must submit to, or have his ship tied up. However, when that deserter arrives at Liverpool again, the law of his country can deal with him, and should that law be enforced, he will have to pay to the owner whatever difference in the wages there was between what he would have received had he remained in the ship and what it was necessary for the owner to pay to a substitute. The evil of this is that there will constantly be cases of insubordination, quarrels, lowering of the moral tone of the profession, and breakdown in discipline, and it is in this last respect that the question of safety is involved. It is an uncontroverted fact that the higher you raise the standard of discipline, the more you will promote safety at sea.

The provision in section 5 for the appointment of a commission to determine the seaworthiness of a vessel, her provisioning, equipment and manning, has been cleverly worded to place in the power of the crew alone while in a foreign port, by threat or for spite, to secure the enforcement of unreasonable demands. The wording should be, "upon a complaint in writing signed by the first or second officer and (not or) a majority of the crew."

We now come to section 13, reciting the qualifications of able seamen, and the percentages of the deck crew to which reference was made in the first part of the paper. This provision places the deck crew absolutely under the control of the union, for it will only be necessary for the officials of the union to prevent a sufficient number of certificated seamen from joining a steamer to cause her to be refused clearance. I will not take time to recite the qualifications of an able seaman as given in the act, but it is fair to say that there is a wide difference between the duties of an able seaman in the days of the sailing ship and those of an able seaman on a modern ocean liner which now carries passengers to and from foreign ports, pro-

pelled by steam, and with no sails and as little rigging as will suffice to look shipshape. However, objections to these requirements may be less when it is demonstrated that there are enough seamen to qualify, except that in the meantime it is more than probable that those who do qualify will soon come forward with the question, "Well, what is there in this for us?"

In fact, the *New York Times* of the 5th instant stated:

The National Seamen's and Firemen's Union has been complaining at the trouble the men have to take in getting certificates and the severity of the medical examination they have to pass. Delegates at the shipping offices yesterday were urging the men to demand an extra \$5 a month for getting the certificates.

A certificate does not make a man a better seaman, but simply justifies the statement when he signs on as able seaman, and should not carry with it an increase in wages for simply proving his ability by certificate. Legislation will not make sailors; a sailor is one of a competitive class of workers like thousands of others, and especially the American sailor who must compete with the merchant marine of nations having 90% of the ocean-going tonnage of the world.

Right here it may be proper to answer the question: Why is there such a scarcity of American seamen? Because the United States is not an over-populated country. Emigration of native Americans is of very small proportions, for the reason that opportunities are so good at home; and furthermore the wages of a sailor, fixed of course by the law of supply and demand when labor is free, are not attractive to a young American compared with the remuneration to be had for no more effort and much less risk in other lines of endeavor.

This is not so in Great Britain, Germany, Belgium, and other densely populated countries. In them the seafaring life offers opportunities not found on land, and hence the sailors of the world are foreigners principally, and will continue to be so until conditions in the United States approximate those in the countries named above. Since the elimination of our American marine after the civil war, the salt has gradually

dried up in the veins of the American boy, and even should you double the wages, you could not get American boys to follow the sea.

Another unwise provision in section 13 is that which provides that upon the sworn information of any reputable citizen of the United States stating that the provisions with respect to the language test and quota of able seamen have not been complied with, the collector of customs may cause a muster of the crew of the vessel to determine the fact, and no clearance will be given a vessel shown not to be complying with the section. This not only encourages desertions, but deliberately places a premium upon the breach of the seaman's contract, thus increasing the risk of the voyage. It places within the power of individual or combined deserters to blackmail any vessel into a new contract to secure its clearance. A deserter may not only break his contract with but a minimum of loss of wages, but also can hold up the vessel by calling attention to the contract which his own bad faith can create, and then he can force a new contract no better protected than the first one, and cause delay and loss, jeopardizing the ship itself and completely upsetting all discipline.

Section 16, which provides for the giving of the required notice of termination of those articles in treaties with foreign powers respecting arrest and imprisonment of officers and seamen deserting or charged with desertion, will, in the words of another, "likely involve the United States in many unpleasant controversies; will risk continuance of many conventions dealing with general commercial relations in which the provisions affected by the Seamen's Bill are merely incidental." Furthermore, as we are all bound up together in our commercial relations, and can prosper only as we give and take, it is fair to suppose that any unwise legislation on our part will provoke retaliatory action on the part of those who are put to a disadvantage thereby.

Finally, it goes without saying that adequate ocean transportation can be secured only by making ownership and operation of vessels profitable. Maritime legislation should contemplate the welfare of the public (not seamen only). It



should consider those whose enterprise and investment make the operation of steamship lines possible. The Seamen's Bill was drawn for the benefit not of all the men employed on a ship, but only for those who belong to, or who will be persuaded to join, the Seamen's Union. It was drawn without a thorough knowledge of conditions, and without proper regard for the public welfare, and consequently for the safety of those who trust themselves to travel by water, or for the interests of owners and operators of maritime property affected by it.

What ought to be done? I beg leave to suggest that the action of the governors of India House, New York, an association of men whose object is the encouragement of the foreign commerce of the United States and the cultivation and perpetuation of American trading traditions, should be endorsed. Their recommendation was that authority be conferred on the President to suspend the operation of such of the provisions of the Seamen's Act as he shall consider detrimental to the public interests until the entire subject of the development of the American merchant marine can be dealt with on a basis of permanency; and that Congress create a permanent commission or shipping board composed of men experienced in shipping and in foreign trade, with authority to investigate all shipping problems and submit to Congress recommendations for legislation covering the following subjects:

- (a) The revision, amendment or repeal of the Seamen's Act.
- (b) The revision of the navigation laws and rules and regulations based thereon.
- (c) The establishment of regulations concerning the structural strength, equipment and load-line of vessels.

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EDITORIAL NOTE.—Since Mr. Parvin read the foregoing paper, the Academy has received from Secretary Redfield a request to attach the following copy of a letter from the Secretary to Mr. Franklin:

*Sir:*

NOVEMBER 17, 1915.

The Department is just in receipt of a telegram from the collector of customs at San Francisco, California, giving the result of his investigation in regard to the matter of the sailing of the Mongolia from that port on November 9, 1915.

From such report it appears that the *Mongolia* was actually granted clearance at about ten o'clock on November 9 and departed later in the day, stopping, however, at anchorage somewhere in the bay. At eight p. m. on that same evening, and eight and one-half hours after the departure of the vessel, the collector was called over the telephone by Andrew Furuseth, who stated that he desired to file an affidavit to the effect that the *Mongolia* did not have on board the required number of able seamen; that the collector accepted service on the complaint, with the understanding that the written one was to be filed in his office on the following morning, and thereupon made efforts to, and did actually, notify the officers of the ship that he would cause a muster of the crew to be made on the morning of the 10th instant, thus preventing the vessel from proceeding on her voyage until that time. The collector further reports that on the morning of November 10 the master of the vessel and the agent and a Mr. Love of New York appeared before him with the information that they had obtained a sufficient number of men ready for medical examination to complete the legal number of certificated able seamen, but would be unable to have them promptly examined by the Marine Hospital Service; that the collector thereupon made arrangement to have these men examined immediately; that they passed the examination and the ship sailed that afternoon. The collector still further reports that a day or two later Mr. Swain, the agent, and Mr. Love called at his office concerning the filing of a protest for submission to the Department against the collector of customs for interfering with the departure of a vessel under any circumstances subsequently to the granting of clearance, at the same time telling him that the holding of the *Mongolia* in this case had caused no inconvenience or delay and they had no complaint to make concerning that incident. The collector also states that he took the action he did after consulting with Special Deputy Collector Brown, Chief of the Law Division. He also caused an investigation to be made concerning the status of the men who deserted the *Mongolia* on November 9 and was informed by the local inspectors of steam vessels that only two of such eight men held certificates as able seamen.

Concerning the labor troubles incident to the departure of the *Mongolia*, he reports that information was given him to the effect that the men involved were Germans who were signed on at New York to ship on the steamer *Kroonland* to San Francisco and back to New York; that while in San Francisco the destination of the

Kroonland for the return voyage was changed from New York to London and, inasmuch as these German sailors could not be taken to London, the company gave them their choice of being discharged in San Francisco or transferred to the Mongolia for the return to New York at \$30 per month; that these men after signing articles for the Mongolia ascertained that the wages at San Francisco for New York were \$45 per month and asked the secretary of the Sailors' Union whether they had a right to quit the vessel if they could not obtain such wages, and were advised by him that they could do so; that thereupon they made a demand for such regular wages, which was refused, and they were then assisted by the Sailors' Union to leave the vessel; that there was no inducement offered to the men whatsoever to leave the vessel, nor was there any liquor used. The firemen also wanted to leave the vessel, but the Seamen's Union refused to assist or encourage them to do so under the conditions.

In receiving and acting upon the complaint filed by Mr. Furuseth, the collector of customs unquestionably exceeded his authority under the statute, and the Department has this day called his attention to the same. He had no right whatever to act upon the complaint or to stop the vessel and order a muster of the crew after the vessel had departed. The statute is quite clear and admits of no misconstruction. The complaint, in order that the collector be required to act upon it, must be filed prior to the expiration of six hours before the departure of the vessel or the time she is scheduled to depart, and unless this is complied with, there is no obligation on the collectors of customs to do either and they are not expected to. To do otherwise would defeat the purpose of the provision, namely, to prevent delay in the departure of vessels. In order to avoid further occurrences of this nature, all collectors of customs have this morning been notified to the above effect.

It is quite evident from the reports received by the Department concerning the Mongolia that the delay was not caused by any provisions of the Seamen's Act, but through a misconstruction of certain provisions of section 13 of that Act on the part of the collector at San Francisco.

Yours very truly,

(Signed) WILLIAM C. REDFIELD,

*Secretary.*

MR. P. A. S. FRANKLIN,

Receiver International Mercantile Marine Co.,

9 Broadway,

New York City.

## THE OCCASION AND CONSEQUENCES OF THE SEAMEN'S ACT <sup>1</sup>

R. DE TANKERVILLE

Editor, *Shipping Illustrated*

THERE is really nothing that I could add to the remarkable address made by Mr. Parvin, which is so complete that I don't see how I could supplement it. Mr. Parkinson made a reference to the practical impossibility in this country of obtaining intelligent consideration of legislation concerning shipping. Under our present political system it is hard to see how measures similar to the Seamen's Act can be prevented from being passed at the behest of any special interest to the embarrassment of the public at large. It is virtually impossible for the general public to form even an approximate idea of any of the questions involved in any shipping measure that is pending. Shipping is an industry that requires years of apprenticeship to learn its very rudiments, and while various propositions may be made in the interest of the public or in the interest of greater safety at sea, it is quite likely that unless a central authority is created that will have as its chief mission the study of everything connected with the prosecution of the shipping industry, legislation on the subject of shipping will continue to be a hopeless muddle.

Our present shipping legislation is a disgrace to civilization. The laws regulating the structural strength and equipment of ships are so bad, so hopelessly behind the times, that every ship built is far in advance of the mere requirements of the law. The reason for such action is the requirements of the underwriters. There are at the present time in the port of New York two ships that have been on the market for months. The market is favorable at present for the disposal of ships at very high rates. The owners could realize an enormous profit if they could sell those two ships, which have been

<sup>1</sup> Discussion at the meeting of the Academy of Political Science, November 13, 1915.

passed by the Steamboat Inspection Service, and which comply in every way with the American law. Yet, no underwriter will put a dollar on them, because they are deemed unsafe by practical people who know.

Following the Titanic disaster and the International Convention in London we heard a great deal about the measures that were to be enforced on foreign shipping in order to make the lives of Americans traveling by sea safer than heretofore. Yet, when the measure was finally adopted, it was not ratified by the Senate, as Mr. Parkinson, I believe, has told you. A bill had been pending since 1910, I believe, entitled the Seamen's Bill, containing some provisions relative to the capacity of the lifeboat equipment, and a formula for measuring the area allotted to passengers in lifeboats. Those regulations were inserted in the Seamen's Bill in order to make the people believe that the safety of passengers at sea was dependent on the adoption of that measure. This was a sham and a humbug.

A gentleman by the name of Havelock Wilson, who was virtually the boss of the Seamen's Union in England, and who, I think, is still a member of the British Parliament, came over to this country and consulted with the heads of the American Seamen's Union as to the ways and means of holding up the crews of British ships coming to America in case the wages of the seamen that had been signed on at foreign ports were lower than the prevailing rate of wages at American ports. The outcome of this agreement was the introduction of the Seamen's Bill. That is a little bit of history that has not been published extensively in the press, but the Seamen's Act as it exists now allows all this to be done. For instance, a ship with a crew signed on at the port of Hamburg goes to sea on a three years' voyage, during which she enters the ports of India and China and other places. Say two years afterwards she arrives here. We will say that the wages at New York are thirty dollars a month. Her crew are getting only twenty-five dollars. They immediately demand their wages. They leave the ship, and then, of course, the union will provide a new crew at the rate of thirty dollars a month. Is it the same seamen that are going to be re-shipped

at that rate? I think not. The members of the union will probably be put there.

Every clause of that Seamen's Bill was so drawn as to fortify the position of the union on the Atlantic coast, and the position of the seamen on the Atlantic coast had always been a weak one. Reading the Seamen's Bill between the lines we shall see—it percolates out of every word almost—that it is purely a local measure.

Fortunately for the Pacific Mail Company, a condition existed whereby there was a great demand for ships. Ships such as the Pacific Mail Company's usually cannot be disposed of easily, but conditions are such now that a favorable opportunity presented itself, and the company, in justice to its stockholders, sold its ships and withdrew from the field. They have been blamed for betraying almost a public trust, although they had no contract with the government for the carriage of mails or anything else. If they had had such a contract, it is quite likely that the government would have sued them for damages. Furthermore, if the Pacific Mail Company had decided to put its ships under the Chinese flag and sail them with American officers, under the terms of the Act of August 18, 1914, they would not have been interfered with; but, as American steamers, they could not operate. This is one of the results of passing legislation without due regard for all interests that it will affect.

Numerous hearings were given in Congress on the Seamen's Act, but it is a human impossibility for a congressional committee to consider every phase of the question and assign it its relative importance. In every maritime country in the world except this there is a central authority that studies all questions affecting the welfare of shipping. It is a sort of permanent arbitration board between what the ship-owning interests want and what the public is entitled to demand and what labor should obtain. This central authority does not exist here, and not until it does exist will measures such as the Seamen's Bill be studied in their proper light. When we have such a board, the public will no longer be submitted to some of the conditions now existing that are prejudicial alike to the seamen, to the public and to the shipowners.



## SAFETY AT SEA <sup>1</sup>

ARTHUR K. KUHN

UNDER the American constitutional system we never fully know the effect of our legislation until it has been interpreted by the highest court. Although our legislation upon the liability of carriers by sea dates from 1852, we did not know until the Supreme Court's decision in the Titanic case in 1913, that the statute applied on the high seas in every case to foreign ships as well as to American. Assuredly the debates in Congress in 1851 show that it was intended to foster only our own shipping. But now that we have an interpretation of the law, let us consider whether there is need for reform.

In 1852 the old common-law liability of common carriers was still applicable in the United States to carriers by sea. Congress in order to place our own shipping upon a basis at least as favorable as the British, passed the present statute limiting the liability of the shipowner to the value of the ship *after* the accident. It was distinctly stated in Congress by the sponsors of the bill that its provisions were substantially the same as the British statute. Curiously enough, however, the British statute as interpreted by the British courts was vastly more favorable even then than the statute which was proposed and is now the law of the United States; for the British law held the shipowner in the event of negligence up to the value of the ship *before* the accident, whereas the United States grants exemption for all but the value of the ship and freight *after* the accident, which frequently means nothing but the pending freight.

Moreover, at this period Great Britain had already abrogated what Sir Frederick Pollock has termed the "barbarous" rule of the common law, which denies a remedy to the de-

<sup>1</sup> Discussion at the meeting of the Academy of Political Science, November 13, 1915.

pendents of persons actually killed through negligence. In 1846 the British Parliament created a maximum right of recovery of £1000 in case of an accident upon the high seas resulting in the death of any person through negligence. Although this right exists in practically all our states in one form or another, Congress has failed to abrogate the rule of admiralty. A bill for that purpose, known as the Peters bill, was defeated at the last session.

But Great Britain went much further than this. In 1854 Parliament came to the conclusion that "to exempt ship-owners from liability beyond the value of an inferior ship would be an encouragement to unprincipled persons to employ worn-out or inadequately-manned vessels in the conveyance of passengers," and passed the present statute granting a minimum of £15 per net registered ton of the ship to cover possible claims for personal and property damage.

At the time our rule was adopted, our carrying trade was relatively much more important than it is today. Since then, Great Britain has greatly increased its lead, so that today our 2,000,000 gross tons of ships represent less than 10% of the tonnage of Great Britain, although Great Britain has adopted a still more liberal rule toward shipper and passenger than existed in 1852. What is the conclusion? I will not be guilty of the argument that our merchant marine degenerated because we failed to adopt it. That would be arguing *post hoc ergo propter hoc*, but it is a fair conclusion that the existence of the American exemption did not increase our merchant marine and that the liberal British rule did not operate to the detriment of theirs.

Now, however, the Supreme Court has said that our exemption rule applies to all ships, foreign or domestic, so that, in case of a ship like the Titanic, though never in our jurisdiction, American sufferers could not claim the liberal rule which its own flag was willing to accord, and did accord in British courts. Does this not make an insufferable rule more insufferable still?

Were the relative amount of American and British tonnage reversed and were the relative amount of ocean-borne com-

merce of the United States and Great Britain reversed, the rule would still be unfair, as it would be inconsistent with the development of the law of carriers upon land. Ethically speaking, it makes no difference whose ox is gored. But, considering the statistics as they are, the result is nothing less than bizarre. In 1913 the ocean-borne commerce of the United States amounted to \$3,700,000,000, of which only 10% was carried in American vessels. Though the exact figures for passenger traffic are not available, the proportion of American passengers carried on foreign ships is even greater. So that in contemplating a law which refuses a more liberal remedy to American passengers and cargo-owners given by the foreign flag, we may well say that the goring of the ox is not only wrongful, but that it is *our* ox which is gored.

When we come to discuss the Seamen's Act, we are again confronted by a curious situation. Though by its terms not restricted to American shipping, we are informed by the State Department that treaties applicable to most of the maritime nations practically exempt them from provisions intended to safeguard life at sea. We are pre-eminently a nation of travelers and cargo-owners and not of shipowners. In contemplating the limited-liability act in combination with the Seamen's Act, the American traveler and cargo-owner may well exclaim: "Heads I lose and tails I fail to win." And as for the seaman, a workman's compensation act applicable upon the high seas would have been more effective.

But I would wish my discussion to be something else than negative. I believe an enactment providing for liability of shipowners of a minimum of so much per net ton, at least for passengers who have been injured by negligence, would not only be just, but would not be detrimental to the shipowner, because it could easily be compensated for by insurance. It would tend to encourage a greater safeguarding of life at sea. Above all, Congress should declare that any greater remedy allowed by the law of the flag of a foreign ship may be recovered by claimants in our own jurisdiction.

We wish to build up an American merchant marine. I believe that we shall, and that we are at the parting of the ways

as to much of our past policy. Let us start fair. The nations of the world are endeavoring to reach some international agreement on these questions of liability. The international maritime committee and the official diplomatic conferences on maritime law have taken up the subject. Our own delegates have not been progressive because their national legislation has not been so. Let us create our merchant marine in harmony with the rest of our national ideals, upon the basis of justice and expert knowledge, and not of favoritism.

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## THE PROBABLE EFFECT OF THE SEAMEN'S ACT ON PUBLIC OPINION <sup>1</sup>

P. H. W. ROSS

President, National Marine League of the United States

**I**N a general discussion of the probable effect of the Seamen's Act on American shipping, I should think that the first thing to be considered is its effect upon the one hundred million American citizens (mostly inlanders) whose daily industry provides the freights that make any kind of shipping and the employment of any kind of seamen possible, and upon whose attitude and votes depend any form of remedial legislation whereby the condition of shipowners and of those who labor on ships may be improved.

In the endeavor to obtain remedial legislation, we must never lose sight of two axiomatic considerations. First, we must strive, not for what we should like to get, but for what we are likely to get. Second, we must consider from whom we are going to get it.

All permanent legislation is the result of an enduring public opinion. What kind of laws are one hundred million people of this republic (mostly inlanders) likely to vote for? We may be positively certain that they will eventually vote for two things: first, the employment of American labor; second, the creation of American industries. Hence any plan that invites the American public to vote for the employment of foreigners in lieu of American citizens will not permanently succeed. Nor will the public vote to make it easier for foreign shipyards to increase while American shipyards decrease.

There are always enough speakers and writers in the republic to keep these viewpoints constantly before the voting public. Therefore, though the public may accede to temporary employment of foreigners in overseas traffic, it will never

<sup>1</sup> Discussion at the meeting of the Academy of Political Science, November 13, 1915.

rest until conditions are such that American citizens, in large majority, may eventually take their place.

Another point to be remembered is that the whole essence of our national life is founded upon the rights of humanity first, and property rights second. We must remember that this is the chief burden of the Declaration of Independence which preceded the Constitution of the United States. We must remember that there is not a schoolboy in the country but imbibes the cardinal principles of that Declaration, not an orator, stump-speaker or legislator but finally returns to that cornerstone of American governmental philosophy upon which the written constitution of the United States is founded.

That cardinal principle has been thus described :

By the Declaration a state, for the first time in history, founded its life on democratic idealism, pronouncing governments to exist for securing the happiness of the people, and to derive their just powers from the consent of the governed.

The Declaration gave the people recognition equivalent to promises, which as fast as new governments were instituted, were converted by written constitutions into rights, which have since then steadily extended.

This is the "loadstone to hearts, and load-star to all eyes" in America, when it is squarely put up to our people as to what is or what is not the right thing to do from a humanitarian point of view.

We must also remember the popular conviction, *vis.*, that the whole essence of European governments is the reversal of the foregoing doctrine, that those governments, being modified survivals of feudalistic ideas, place property rights first and humanitarian rights second. Therefore American citizens are certain to hold that it is not only illegal but unconstitutional for this country to enter into any reciprocal treaties with European countries that adversely affect the humanitarian rights of labor on the high seas.

Consequently, inconvenient as it may be to those of our citizens who are at present engaged in shipping under conditions analogous to those which prevail in the merchant fleets



of European countries, we must remember that if it is once squarely put up to the voting public, as it has been and certainly will be again, that the humanitarian rights of sea labor can be maintained only by the retention of the "desertion" clauses of the Seamen's Bill, the voting public will still insist that those clauses be sustained.

The public will insist that certain fundamental principles be maintained. It is idle for us to dodge that question by attempting to confuse the mind of the public on the fundamental rights of American sea labor. The rejection of the proposed constitution for the state of New York is a somewhat analogous case. The public conceded that the framers of the constitution were men of great intellectual power, and that much of it was good, but the public did not understand the terms of the constitution. It was suspicious of its intent and purposes, and rejected it. And so it will be with any proposition brought forward to amend our maritime conditions that is not most carefully and impartially presented at the very outset.

The public must first be thoroughly enlightened, must be informed in advance that they must pay, and pay handsomely, for the maintenance of American-built and American-manned ships in the foreign trade, and must finally be convinced that such payment is the best kind of investment that the country can make for its own permanent good.

That the public may be depended upon to do the sensible, moderate and efficient thing in the last analysis is as certain as it is that you and I are here now in this room. How do we feel about it? We all want to do that which is fair and useful to ourselves and to our country, and so do the rest of the one hundred million Americans who do not happen to be in this room at the present time. We recognize the fact that if we are in the national business of making or growing things, we must quickly sell those things, as much as possible to persons outside of our national workshop, otherwise our manufactures must cease and idleness and poverty ensue. We also recognize the fact that in order to sell things outside our national workshop we must have control of the ocean transportation of our products, that we must put on ocean delivery wagons of our own.

Now comes the question of what kind of "help" we are going to employ, and who is going to build those wagons. Need I go further? Does not the case demonstrate itself? Of course, we must employ dependable help, men we can put our finger on for extraneous duties if need be, men who will "jump in and fight" if an enemy tries to blow up our store, men who will "stick by the wagon" and die before they will let a competitor run away with it.

Now comes the question, Can we, accepting the foregoing as fundamental bases for future action, ever expect to erect a four-square maritime edifice that will endure? The answer is, unhesitatingly, yes. The time limit forbids my dilating upon the methods to be employed, but beyond referring again to the fact that even nations "cannot get something for nothing" and that one way or other we must pay for an American merchant marine, I would close by affirming that, in my individual opinion, the probable effect of the Seamen's Act on American shipping, like most things in life, will prove to be a blessing in disguise, because it has aroused the public to a realization of our maritime situation such as never existed before. It has shown that, however much we may sympathize with the sailors' rights and liberties, there is such a thing as "killing the goose that lays the golden eggs;" that the evils of a century cannot be arbitrarily cured by one stroke of the legislative pen; that there is a shipowners' side of the question as well as a ship-laborers' side.

Moreover, it shows that there is such a thing as a *reductio ad absurdum* even in safety precautions. But the best and most hopeful effect will be that the great mass of our people will awaken to the fact that their own daily interests are more at stake through our lack of American control of the ocean transportation of American products than even the affairs of those of our citizens who may happen at this moment to be engaged in the sorely-tried and vexatious business of American foreign-going shipping under our own flag.

Therefore, in my opinion, the public will say to the seamen: "We know that our country must have sea power both commercial and protective, and that if we want sea power we must

have seamen, but be patient yet a little while. There are four walls to our maritime edifice: the seamen's, the shipowners', the ship-builders' and the freight-producers'. Your wall cannot be twenty feet high, the ship-owners' ten feet, the ship-builders' five feet, and the freight-producers' only a foundation. They must all be equally strong and proportionate. You are amply protected by the spirit of the nation and by a sympathetic labor vote. We can't get along without you, and wouldn't if we could; but give the nation a chance to arrange it so that instead of 18,000 of you there may be 180,000 American seamen."

American shipowners would be assured that they are equally necessary to our national welfare; that their immediate necessities would be provided for and provision made for the gradual employment of American citizens as has been done in the navy and in all land industries. Ship-building will be appreciated as the one great creative industry still lacking in America; as the industry whose development will permanently sustain our iron and steel trades when war orders have died and government orders diminish. And, finally, the public will open its eyes to the fact that the entire land industry and agriculture of America has an overriding and underlying interest in America's maritime development that surpasses all other considerations combined, and the public will pay the bill.

It was Bismarck who said of Germany: "The merchant marine service is the handmaid of all other industries, and of agriculture, manufactures, and commerce. On the day when the freight trade is given over to foreigners a mortal blow will be dealt to all the industries of the country."

Such, in my opinion, will be the probable effect of the Seamen's Act on American public opinion. The future is bright with the hope, aye, the certainty, of America again resuming her rightful place on the face of the waters.

## RELATION OF INVESTMENTS TO SOUTH AMERICAN TRADE <sup>1</sup>

CHARLES M. MUCHNIC

Vice-President, American Locomotive Sales Corporation

WE are living at a time when history is being made daily and the march of events in this world movement is so rapid and so revolutionary in character that we suddenly find ourselves within the early realization of hopes which only a short time ago appeared remote from attainment. A year ago, when moratoria were in force in practically every country but our own, and when our stock exchange was closed from fear of European liquidation of American securities and the threatened draining of this country of considerable of its gold reserves, no one was bold enough to predict that during the first ten months of the year 1915 our imports of gold from European and other countries would exceed two hundred and fifty million of dollars; that a syndicate of bankers from every part of the country would successfully float for popular subscription a foreign loan of five hundred millions of dollars; that private bank credits would be arranged with various foreign banking institutions and governments, to the extent of a half-billion dollars, and that our investing public would absorb American securities sold by Europe on a rising market to an amount estimated at one billion dollars. Surely, such an exhibit of accumulated wealth and the readiness of the public for investing it in securities of domestic enterprises or in loans to foreign governments does not justify the oft-repeated statements by our men of finance that we are still a debtor nation, and therefore cannot hope, at least for some time to come, to be in a position to finance the needs for industrial and commercial enterprises of Latin America.

<sup>1</sup> Read at the meeting of the Academy of Political Science, November 12, 1915.

The Anglo-French loan has demonstrated in a very effective manner that foreign loans—not government, but for industrial or transportation enterprises—are usually made to enable their recipients to pay for the materials and labor required for the carrying out of such projects. Our bankers, in making their offer of bonds to the public, made it very plain and specific that the funds realized from the sale of such bonds would be used solely for payment for manufactures, merchandise and farm products purchased in this country. By granting such credit to France, England, Russia and Italy, not only are our manufacturers, farmers and merchants assured of prompt payment for their products, but we enhance the purchasing power of our customers to at least the amount of the loans granted and enable them to make further necessary purchases from us.

This and similar foreign loans recently made show clearly that there is a definite relation between investments and foreign trade, and upon the character of the investment—whether it is in a foreign governmental loan or in a foreign railway, mine, public utility or other industrial enterprise—depends the greater or smaller benefit to our industries and commerce. Foreign government loans made to defray administrative expenditures or for the carrying out of economic or monetary reforms can be of no direct benefit to our industries or general commerce. Foreign loans made for the purpose of acquiring existing South American railways or for the building of new lines, or for the opening up of new fields of activity, such as cattle-raising, meat-packing, the development of agriculture and lumber industries, are of direct and immediate benefit to the manufacturers and merchants of the country making the loan.

We all know that the economic condition of practically all Latin-American countries is such as to make them for many years absolutely dependent upon outside capital for the building of their railways, the development of their vast natural resources, the reclamation of territories, and improvement in sanitation and health conditions to permit of a large influx of immigration.

England and France and, to a smaller extent, the other European countries have been fully alive to the opportunities there available and have for many years supplied freely the required capital; the great European war suddenly cut off this source of supply, which brought about the severest commercial and industrial depression ever experienced throughout the whole of South America.

There is no probability of a resumption of activity to any appreciable extent in any new construction or development in Latin-America until a new source of capital can be found to replace that held by Europe for the past half century or more. Herein lies our opportunity, not only to render an inestimable service to our sister republics of the South in enabling them to proceed with their remarkable development in all branches of industry, transportation, agriculture and commerce which was suddenly arrested by the European conflict, but also so firmly to intrench ourselves in those countries that we could look upon them as permanent markets for the products of our industries and mines.

Our bankers and the investing public must come quickly to a clear understanding of the important relation that investments in Latin-American enterprises—whether in transportation, industry, agriculture or sanitation—have on our trade with South America and indirectly upon the stability of good business at home. They must realize that only through American investments in and control of such enterprises in South America can we hope to secure our share of the imports into those countries of all the varied manufactured products. Such financial control would have a far more important influence on the magnitude of our sales to those countries than tariff agreements with the most-favored-nation clause in our favor, greater than more frequent steamship communications, local American banks, and other factors, all of which are nevertheless important problems by themselves. In fact, I believe that liberal investment in South and Central American countries which would supply the financial assistance requisite for their development, is fundamental toward the solution of all of the above problems.



Let us take as an illustration the building or control of an important railway in any country of South America.

The country that furnishes the capital for the construction of such a railway naturally sends out a corps of engineers from among its own nationals. These men, from motives of patriotism and from their home training and experience and a familiarity with their own products, insist, and rightly so, that all materials, machinery and equipment of all kinds be purchased in their home country. The manufacturer from another country is not even allowed to submit a proposal, unless the home manufacturers cannot supply the required materials in time. After the railroad is built by the engineers of the country that furnished the capital, a management is installed composed of the nationals of the same country, and all future supplies for such a railway, for renewals and extensions, are obtained from the home manufacturers. The commerce thus created between a small or a large center in some part of South or Central America with the country that furnished the capital for the building of such railway is not limited to the actual supply of railway materials incident to the project, but also to the great variety of products—from wearing apparel to household utensils—which civilized man nowadays requires. This commercial link once established between the home country and some foreign outpost, important commercial transactions soon follow. The ideas, the standards and the products of the country which furnished the capital and sent out its pioneers to build the railway soon predominate and permeate every branch of its life, its thought and its activity. The growth of the heretofore small communities of settlers invites new enterprises, such as the building of power plants, for the supply of electric light, urban and interurban traction, the opening of banks and of merchandising establishments. They are invariably undertaken either by the same group of men who built and developed the railway or by their compatriots. And so step by step commercial control is obtained of a certain section of country, from which foreign competition—that is, competition from any country which did not participate in the supply of capital for the various enterprises—is barred more effectively than by a Chinese Wall.

Throughout the various countries of South and Central America we thus find sections of country under complete commercial control by English, French, German, Belgian or North American interests. I put North American interests at the bottom of the list advisedly. We have lesser investments in South America than any of the leading European nations to which I have made reference. And yet the experience of the comparatively limited American enterprises in Cuba, Central America, Peru and Chile has been very gratifying. The United Fruit Company, the Bethlehem Steel Corporation, the Chile Exploration Company, the Cerro de Pasco Mining and Railway Company are a few examples of successful foreign undertakings. Prior to the revolution in Mexico, American investments there proved very safe and lucrative, and will doubtless prove so again when peace is re-established. The countries south of us are full of opportunities for the development of latent resources, and although we can look upon the existing markets as profitable fields for us to supply, we must not overlook the potential markets which the future will provide if we are instrumental in opening up new territories and encouraging settlement in new communities.

The tremendous advances made in recent years in medical science have had their effect in making health resorts out of what were heretofore considered unhealthy districts. Once the health conditions are improved and proper transportation facilities provided, we can predict a flow of immigration into the countries that have vast latent resources. Viscount Bryce, in his book on South America, states that there is a strong possibility that during this century South America will have a population of over one hundred million persons. Dr. Gorgas, who has done such good work in Cuba and Panama, looks forward to the day when the centers of population will be in the tropical and semi-tropical countries, as was the case many centuries ago.

The above opinions are given to show that in discussing this subject we must not consider only the present purchasing power of our southern neighbors. Our rewards will be proportionate to the amount of effort we put forth in developing

financially and otherwise the potentialities of the countries south of us.

The future prosperity of our industries will depend in a large measure upon the extent of our control of the neutral markets of the world, and those of the South American republics appear most promising because most of them do not possess the combination of the fundamental elements that would enable them either to become our competitors in the iron and steel and kindred industries, or even to satisfy their home demands for such products.

The widely-heralded opportunities for the sale of our manufactures in South America at the outbreak of the European war were soon dissipated when it became evident that the sudden arrest of the flow of European capital into South American enterprises virtually suspended all new construction; international commerce became dislocated and the purchasing power of the peoples south of us very much curtailed. While slight improvements are noticeable here and there, no resumption of general commerce and activity can be hoped for until our South American neighbors can find new sources of capital.

Under the stimulus of war contracts our industries are now enjoying a period of great prosperity. However gratifying this expansion may be at the present time, it carries with it elements of disaster unless we are far-sighted enough and prepare now for the inevitable reaction that is to follow the cessation of hostilities in Europe; this reaction will be greater in its intensity the longer the war lasts.

Our industries in the past, as well as at present, have responded quickly to waves of prosperity by largely increased productive capacity which could not always be utilized when normal conditions arrived. However, the natural growth and development of this country was rapid enough in the past to absorb quickly the increase in manufacturing capacity.

It was estimated that prior to the war 65 per cent of our manufacturing capacity was ample to supply all normal domestic demands, leaving 35 per cent of capacity for demands for export. Only during comparatively brief periods were we able to operate our plants to full capacity because of the wide

fluctuations in both domestic and foreign demands for our products. The expansion that has taken place within the last few months in response to urgent demands from the belligerent nations for our various manufactures has already increased appreciably our productive capacity. It requires no great imagination to picture the condition of our industries if the war were to stop within a few months or a year. Those who believe that the present demands from Europe for our manufactured products will continue after the war are living in a fool's paradise. What will become of the large surplus capacity of our plants so largely expanded during the past few months? South American markets are among the most promising as capable of absorbing a large proportion of our surplus capacity provided we act quickly and intrench ourselves there through investments in railways and other industrial enterprises.

It has been frequently stated that our natural resources and industries will be called upon to supply Europe, during the period of reconstruction which is to follow the termination of hostilities, with much of what has been destroyed during the war. This is probable but not at all certain. There are many indications even now which justify the belief that the European nations, impoverished and crippled by this titanic struggle, will make every effort to spend as little money outside of their own countries as possible. Furthermore, there has taken place in Europe, alongside of the destruction of plant and permanent structures, an expansion of manufacturing capacity fully equal to our own. Industrial Germany—our chief competitor in the neutral markets of the world—is working to its maximum capacity, though largely for the supply of the armies in the field, and will at the close of the war have increased its manufacturing facilities, particularly in iron and steel products. France, with its industrial and mining provinces in the hands of the Germans, has established throughout the central and the southern provinces new plants for the manufacture of munitions of war which are well equipped and most of which will remain permanent additions to the manufacturing plant or capacity of France when Germany has been forced to evac-

uate its northern provinces. England likewise has quickened the pace of its manufacturing plants and created many additional ones, and nearer to our own borders is Canada, which produces munitions of war on a scale that was hardly believed possible a year ago.

Let us not leave out of consideration also the fact that the disbanding of millions of men now engaged in destruction will force upon the European markets a large supply of labor before the industries will have had time to readjust themselves from the manufacture of war munitions to products required for peaceful industry and commerce. This will have the effect of depressing the cost of labor in Europe, whereas in this country it will be higher than ever in its history. We shall be confronted with a condition of largely increased manufacturing capacity throughout the world and with a rapidly diminishing demand.

It will be only natural, and certainly statesman-like, for the Allies to form commercial treaties that would result in mutual co-operation during the period of rehabilitation of their industries instead of calling upon outside though friendly nations for the supply of materials and manufactures required. Plans for such co-operation are even now being carefully considered and worked out by the leading men of the belligerent countries. Great industrial activity may, therefore, be expected in Europe during the reconstruction period, but it may not extend over here. How long such activity would last no one would dare to predict, but it is certain to be followed by severe and prolonged depression.

Mr. Lloyd George, in one of his addresses before the House of Commons, about a year ago, after prognosticating a period of industrial prosperity during the reconstruction period, said:

But when that period is over we shall be face to face with one of the most serious industrial situations with which we have ever been confronted. We shall have exhausted an enormous amount of the capital of the world which would otherwise have been available for industries. Our purchasers both here and abroad will be crippled. Their purchasing power will have been depressed. Let us make no

mistake. Great Britain will be confronted with some of the gravest problems with which it has ever been faced. . . . With wisdom, sagacity and foresight we shall go through it, but let us think about it in time, and lay down our plans accordingly.

I should like to commend to our leaders in finance and industry Lloyd George's appeal to think about it in time and lay down our plans for facing the reaction that is certain to follow this present abnormal activity in our industries and commerce. We are becoming more and more dependent for the full employment of our plants upon the stability and permanency of the demand for our manufactured products from the neutral markets of the world, and the surest way to establish such permanency is through liberal investments of our capital in South and Central American enterprises.

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## GOVERNMENTAL POLICY AND TRADE RELATIONS WITH THE FAR EAST<sup>1</sup>

WILLARD STRAIGHT

THE chairman has referred to the war in Europe. A few days ago I heard someone remark that whether the Allies or the Central European powers were victorious, it would be German organization that would win the war. That seems obvious. It might, nevertheless, be well to consider for a moment the implications of this statement. We have seen the operation of a wonderful national machine in Germany, and, at the same time, we have witnessed efforts in England and France and Russia to organize on a national scale not only the military and naval, but the industrial forces which those powers must bring to bear to combat the German system. It is true that British and French finance was at the very outset of the war subjected to a governmental control which up to that time had never been contemplated. Yet it took some time for the British and the French democracies to realize that they must, if they would be successful, attempt in some way to secure a unity and concentration of effort in industry and agriculture as well.

Discussion of this point may seem a far cry from the subject which has been assigned to me today. I do not think so. You are familiar with the fact that early in our history it was the policy of the American government to further its trade relations, particularly with the nations of the Far East. Various gentlemen traveled in American men-of-war to negotiate treaties with Korea, with China and Siam. Commodore Perry succeeded in establishing an understanding with Japan, which resulted in the conclusion of our first treaty of commerce with that country. I do not suppose that those gentlemen even dreamed of the term which was later applied to that form of

<sup>1</sup> Read at the meeting of the Academy of Political Science, November 12, 1915.

governmental activity—"dollar diplomacy." As a matter of fact, they were engaged much more than Mr. Taft's administration in an effort, by direct governmental intervention, to establish trade relations with the nations of the East. It was, of course, their object at that time to pave the way for the establishment of the commercial relations of that period. At that time international commerce was in reality barter. Vessels carried goods from the United States, which they exchanged for other goods. These were again exchanged, until the merchant adventurers returned to Boston or Salem or New York with a handsome profit on the voyage.

It was only when the element of finance was injected into the situation, when it became necessary for the government, through a financial instrument, to assist in the establishment of trade relations, that criticism was provoked. That criticism was due, it seems to me, primarily to a misunderstanding of the functions of finance in the development of trade, and a lack of appreciation of the proper functions of the government as regards both commerce and finance. In considering these subjects, and our relations with the Far East, we are again confronted by the fact that it was the effectiveness of German organization which made it necessary for our government to develop the much-criticized "dollar diplomacy." The German occupation of Tsingtau in 1897 precipitated the international scramble which eventually resulted in the formation of what was at one time known as the "Six-Power" group which was denounced by President Wilson shortly after he entered the White House.

The Germans first appreciated the value of national organization for trade development. This policy was imposed upon them by the necessity of their position. When the German Empire was organized after the Franco-Prussian war, German merchants found the markets of the world occupied very largely by their British competitors. British trade had been built up in more or less haphazard manner, thanks to the adventurous disposition of British merchants, also in a large measure to the lack of opportunity in the British Isles and to the ability of the London market to finance certain foreign

loans. There was no real organization, however, in British overseas trade. The Germans, in order to enter world markets, analyzed their situation and developed a scheme by which their commercial and financial interests could be operated in connection with the agencies of the government.

German competition in China became serious when Germany seized Tsingtau. German merchants, it is true, had traded in Hongkong, Shanghai and elsewhere, but the occupation of that port, the determination of Germany to extend its influence through the province of Shantung, brought a new element into the situation. The other powers promptly followed Germany's example, established naval bases on Chinese soil, and secured from the Chinese government concessions for railways to run through certain areas, which they delimited as their spheres of influence. This scramble by the foreign powers was largely responsible for the growth of unrest in China which culminated in the Boxer outbreak of 1900. In the expedition of the Allied forces to Peking, and immediately thereafter in the settlement of that trouble, there was introduced for the first time an element of international co-operation, the necessity for which had been foreseen by Secretary Hay when he enunciated his "open door" policy.

The various powers had originally subscribed to that doctrine not so much because they were actuated by any particularly altruistic motives, as because Secretary Hay's formula happened at that time to meet their peculiar needs. They recognized that it would be impossible for them to occupy by military force and to hold without an expense entirely out of proportion to the benefit to be derived, any portion of China. They had, therefore, determined upon this policy of finding spheres of influence. But even with these spheres of influence they had found that their interests were not developing as they might wish. The Chinese government was weak, and endeavored to protect itself by setting one power against another, with the resulting friction between the powers, which culminated in the Russo-Japanese war. Following the struggle, it became necessary to effect a new readjustment.

The powers which had at first established spheres of influ-

ence, and which later came to a certain agreement as regards the development of their respective interests in China, were actuated by the desire to secure markets for their goods. As Mr. Muchnic has pointed out this afternoon, the manufacturers of the nations whose bankers furnished the money for the construction of railways were the manufacturers who secured the orders for all the railway material. As railways were built under British, German, French and Belgian engineers, a market was created for other goods which were introduced into China by these engineers and with which the Chinese became acquainted for the first time.

It had long been the policy of the American government to assist China in her own development. It was that friendship for China which had inspired Secretary Hay's "open door" policy. It would be incorrect, however, to say that that policy was entirely altruistic. Certainly it was in no small measure prompted by the belief that that friendship for China was a sound policy, and one calculated to develop American trade in the East. But owing to the development of the railway policy of the European powers, it became apparent that it would be practically impossible for our manufacturers to secure a share of Chinese business unless American bankers could be induced to finance Chinese enterprises. To secure the opportunity which we should otherwise have lacked, Secretary Knox suggested that an American banking group should go to China and endeavor to secure participation in certain loans then being discussed. Although this desire to secure trade was a strong factor, there was in addition a hope that if American interests secured a foothold in China, it would be possible for them to co-operate with other national interests and to make of the "open door" doctrine a really effective instrument by clothing it with a commercial, as well as a political, character. It was believed that the integrity of the Chinese Empire, which from time to time had been threatened, would be safeguarded by such co-operation among the great powers. The American banking group withdrew from China, but the situation today is very similar to that which existed some six years ago, and the problem before this country is the same and requires the same remedy.

It has been frequently asserted that the American government could not lend its support to any banking group or any contractor in collecting debts—that is, could not collect debts by force. That criticism was very largely directed against the so-called policy of “dollar diplomacy.” Many people said it meant a “gun-boat policy,” and it was widely asserted and believed that our government proposed to send out the American fleet to collect interest due bankers in case of default. As a matter of fact, the function of the government is not, and cannot be, that of a collecting agency. It is true that from time to time it may be necessary to invoke official assistance in inducing some foreign government to live up to a contract with an American firm or corporation, but in the main, and as regards the Far East—and in the Far East, China is really the only country concerned—it should be the function of our government to assure to American enterprise an equality of opportunity. That equality of opportunity in China can be obtained, no matter what the government may do, only if it is possible to induce American bankers to finance Chinese enterprises.

The modern conception of the banker is very different from that which was generally held a few years ago. Opinion even in this country is rapidly changing. We have recently seen an issue of five hundreds of millions of bonds by the English and French governments, not to secure money which those governments could use for their own purposes in England or in France, but to finance the purchases which they had made in this country.

It is exactly that function which it is necessary that the bankers should perform for American industry if American industry is to have its share of the Chinese trade. It is not essential, as so many people have asserted, that our governments should guarantee the bonds that our bankers are to take, but it is essential that the governments should co-operate with our banking and commercial interests in order to see that they secure an equality of opportunity and are not hampered by the political activity of their commercial rivals.

The situation in China is somewhat different from that which

exists in South America. The relation as between commerce and finance is the same, but the function of the government in China is more important than in South America. In South and Central America, with one or two exceptions, the governments are stable and are not subject to or driven by outside influences. In China, on the other hand, the government is, and has been, weak. There is constant pressure on all sides. One legation insists that a certain contract should be concluded with this person, another demands that the contract should be concluded with that firm. In many cases the contract is awarded to the people whose diplomatic representatives have brought the strongest influences to bear. The situation is unfortunate. It would be much better for all concerned if the Chinese government were not so weak, if it could withstand demands of this sort and consider proposals submitted on their commercial merit alone. But facts are facts, and must be taken into consideration if progress is to be made.

It was the aim of Mr. Hay's "open door" policy, and it was the aim of Secretary Knox in furthering negotiations which resulted in the establishment of the "Six-Power" group, to create international co-operation in China as distinct from conflicting national interests. It was believed that such co-operation would be beneficial to China, that it would give China an opportunity to work out her own salvation, and that it would assist in the development of China's foreign trade.

In the long run, it might be as well for the Chinese people if their government were subordinated to some other, but as the world develops it becomes more and more unlikely that any people will be willing to live permanently under alien control, and for that reason I feel that it is necessary, if China is to progress, to revive that idea of international co-operation which has for the time being been abandoned. It may be impossible to do anything, to take any steps along this line, until the war in Europe is over. But it seems to me that the time is not far distant when the American government may have a great opportunity to reassert the policy enunciated by Secretary Hay, and continued by Secretary Knox in an effort to bring this about.



The developments of the past year have brought to people in this country a more intelligent appreciation of the necessity for the co-operation between government and commerce and finance. The manufacturers and the bankers must work hand in hand. The manufacturers cannot sell their goods unless the bankers are able to sell their loans, and the bankers will not be able to sell their loans because there will be no public to buy the loans unless the manufacturers in turn are prosperous.

It is impossible to divide public and private credit into water-tight compartments. It is impossible to regard the problem of the manufacturers without considering the problem of finance. It is impossible to regard the problem of finance without considering the problems created by industry. As the government is the representative of all interests, as it is only through the government that all interests can really co-operate, the general prosperity of the country and the strength of the government depend upon the development of commerce and industry and finance. It is essential, if we are to develop our commercial relations with the Far East, that we should have a just appreciation of the important bearing of American diplomacy on those commercial relations.

## INVESTMENT AND TRADE IN CHINA <sup>1</sup>

EUGENE P. THOMAS

President, United States Steel Products Company

A COMPREHENSIVE discussion of governmental policy in respect to trade relations with the Far East is impracticable here if it requires a lengthy presentation as respects each country separately. It is, therefore, assumed that the term "The Far East" has especial reference to China. Our relations with Japan, Russia, Siam, the Straits Settlements, and India present entirely different problems.

The important problem in our trade relations with the East today concerns China. Have we neglected or improved the opportunities presented after the nations of the world agreed to the doctrine of the open door as enunciated by Secretary Hay? The answer is a trade decline with America of some 25%, while Germany's trade has increased 70% and Japan's 83%. Our exports to China decreased from \$53,000,000 in 1905 to \$21,000,000 in 1913, while our imports from China increased from \$28,000,000 to \$39,000,000. Thus notwithstanding increased imports our total trade fell off 25% in the last eight years of record. With more intelligent appreciation and exploitation of our natural advantages and position, our trade should have greatly increased. Our traditional friendship for China has thus failed to develop to practical advantage, and the lapse of fifteen years finds our commercial position with that country impaired; and the Chinese, suspicious of a policy barren of desirable results, attribute some inexplicable motive to the policy of the "open door." They complain, with some degree of correctness, that we have allowed the "open door" to be shut in our face without protest or even mild opposition. They point out that without any form of aggression, and with studied indifference to the supposed

<sup>1</sup> Read at the meeting of the Academy of Political Science, November 12, 1915.

superior influence or equal rights of the United States, China is being divided into commercial zones of special influence, whose limitations are practically defined by railway concessions.

It is observed that in the past several years Great Britain has acquired rights to build a railroad of 760 miles from Shanghai to Singyifu and of 1000 miles from Nanking to Changsha; that France has acquired rights to build 720 miles from Kweichow to Chengtu and 1100 from Pakhoi to Chung-ching; that equally valuable concessions have been secured by Germany and Belgium. To what extent, if any, long continuance of the European war may impair the integrity of these concessions remains to be seen, but it may readily be assumed, in view of the indifference of the United States, not only that these concessions will be carried out ultimately, but that they will form the bases of additional grants in the same and contiguous territory.

The intent of all these concessions is so simple and frank that diplomatic subterfuge is dispensed with; all orders and contracts for material for the building of these railways will be placed in the country supplying the loans. It follows that all collateral industries induced by the building of railways, by the improvement of cities and the surrounding country, telegraph and telephone lines, manufactories and mills, electric light plants, street railways, and the thousand other ramifications of commerce, will each yield their quota of orders to those supplying the funds for development.

Diplomatic representatives of other powers have actively assisted in the negotiations for these loans. Even in the isolated case of American participation, when the policy of equal treatment to all bidders for supplies was reached by mutual agreement, efforts have been made successfully by the engineers in charge of contracts to defeat the intention of the covenant by so drawing their specifications that none but their own nationals might compete. It is a matter of satisfaction that the State Department, under such circumstances, called the attention of the Chinese government to the facts in order that fair and equal treatment might be assured to American

manufacturers bidding on American standard specifications. If it has been so difficult to obtain equality of treatment where there has been financial participation in joint loans, it should require little argument to demonstrate that without such financial participation it is impossible for American manufacturers, merchants and labor to share to any large degree in the development of China. Our government has been most solicitous for the welfare of the American manufacturers, merchants and labor dependent on them, so far as endeavoring to secure the rights accorded to them under joint loan agreements, and it has been found possible solely through such assistance to obtain adherence to the terms. The necessity of active intervention on behalf of American manufacturers and engineers has been proved, and it is difficult to believe that the government could be criticized for employing the authority which it only can exert in the effort to obtain for its nationals their agreed rights to fair treatment.

It was also gratifying to note that the disinclination of the present administration toward approving the terms of the American participation in the Six-Power Loan gave way to governmental support to the project of the Hwai River conservation, when it developed, under the auspices of the Red Cross Society, that such work was necessary for the commercial and industrial benefit of millions of Chinese who had periodically suffered by floods. The inquiry arises, therefore: Is our policy an altruistic one only, supporting and approving loans predicated solely on humane projects as distinguished from commercial loans? Will approval not be vouchsafed to developments having equally benevolent ends, *i. e.*, improvement of the unenlightened interior of the country, increase in its wealth and material prosperity, and promotion of its civilization, while according at the same time to the American manufacturers and contractors reasonable profits on their investments?

The British government in its wisdom has arranged that no foreign loans may be accepted or issued in England during the war without the consent of the Treasury. Suddenly, therefore, the nations of the world, hitherto dependent on Great

Britain or Europe for funds, have found themselves reduced to the necessity of living on their internal income, to the declaration of moratoria, and even in some cases to the issuance of bonds to cover interest on their foreign loans, for a period of four years, or during the pendency of the war. With their revenues materially reduced by lessened exports to and imports from Europe, they have turned to this country for relief.

China, bereft of its reliance on foreign sources of money, is resorting to internal loans, and the pinch of necessity is leading the Chinese into manufacturing many of their own requirements which they formerly purchased abroad. So far as this induces self-reliance, national self-containment and expansion of its industries, it is to a high degree commendable, but they are unable to understand, as indeed is true of Latin-Americans, why with grateful appreciation of their protestations of friendship, a deaf ear is turned to their pleas for closer and lasting financial and commercial intercourse.

The underwriting of foreign loans is naturally contingent on the ability to distribute them among the investing public. Neither bankers nor manufacturers are willing to accept the risks attendant upon loans unless there is accorded the proper assurance of the government's diplomatic support in the event that the principal or interest on such loans should be defaulted. It might be possible under a different interpretation of our laws, such as is said to be under consideration by the Federal Trade Commission, to effect combinations of manufacturers who would be able, in conjunction with bankers and with proper administrative sanction, to provide in a large way the credit which is urgently required. It cannot be expected, however, that individual manufacturers or merchants of ordinary resources will care to undertake the risks of extensive foreign credit even to established approved houses, to foreign governments of moderate financial responsibility, or to railways or other enterprises in such under-developed countries, without assurance of official sanction and proper diplomatic support in case of need. Especially is this true in times when the influx of business on cash terms to American manufacturers is greater than many conveniently can accept.

If it is necessary that more adequate security should be obtained than the mere promise of foreign governments or government-owned industries to pay at maturity, assured collateral is available by the pledging of custom-house duties, that time-honored expedient of nations in the initial stages of development. If, as in the case of China, it is necessary, before increases can be made in their customs tariffs, for a new treaty to be agreed upon and for the assent of other governments to be obtained with respect to such changes, it would seem the policy of wisdom to inaugurate immediately the necessary preliminaries of consultation in order that China or other countries, to whom we are looking for future trade, may be enabled to enhance their revenues on which loans may be readily based.

This discussion is not concerned with the acquisition of foreign securities solely for investment, but on their acceptance as collateral for supplies to be furnished by American manufacture and labor. So long as the proceeds are devoted to this purpose, it would seem to be a highly commendable act on the part of governmental authority to facilitate in any consistent way the operations of American manufacturers and bankers to this end.

According to current economists, we have departed from our traditional rôle of a debtor nation and become a creditor nation. It is apparent at any rate that in recent months we have been using our surplus investing power as a national asset to induce foreign trade. The necessity for according such foreign loans was too obvious for discussion, but on the same theory it should not require argumentation to prove the financial, political and commercial advantages which accrue to our people in investing their surplus resources in foreign industrial development, providing not only its own security, but giving early and substantial returns in the shape of continuous orders for our mills and workshops and employment of labor.

If the government is the servant of the whole people, there is no impropriety in its acting as chief agent of that great number of its people who are so vitally affected by foreign



trade. Consistently therewith it might employ its representatives accredited to foreign countries not merely in the acquisition of commercial information of more or less hypothetical trade prospects, but in the actual negotiation or assistance in the negotiation of loans and like credit facilities predicated on the development of national resources and capable of producing such effectual returns as would be unlikely under any ordinary conditions to require governmental assistance in collecting the principal or interest.

The Federal Trade Commission issued the following statement on November 4th, 1915:

The war in Europe has so affected the trade of the world that American enterprise has a peculiar opportunity to supply the wants of foreign markets and to secure a greatly enlarged share of their trade. The commission, therefore, deems it to be its duty to complete with all possible dispatch an investigation which may assist Congress in determining what action may be required in the public interest for the promotion of American foreign trade.

It is a most encouraging sign of the times and of the nation's desire to promote foreign trade that an influential body of practical men, such as the Federal Trade Commission, are devoting their time to this subject.

The necessity of financing foreign governments as well as extending credit to foreign customers, which has recently been the subject of extensive inquiry, will no doubt have the best thought of the Federal Trade Commission or other administrative bodies, including Congress. With continuity of business induced by foreign loans, and with connections established between the business houses of this country and foreign nations through such means, there will not only be full outbound cargoes, but continuous return cargoes, as contrasted with the spasmodic and haphazard overseas trade of previous years. This would be facilitated by enlightened amendment of our shipping laws and the payment of adequate compensation for transporting mail by faster steamers.

The average man deprecates governmental intervention in business as far as domestic trade is concerned, and is willing

to take his chance in open competition, but in export trade he faces far different conditions. The governments of Europe actively assist their nationals in every possible way to encourage export trade; by co-operative organizations, by common selling agencies and syndicates or cartels for reducing the cost and combining the sale of product of manufacturers of kindred lines; by special export rates granted on railways and canals, by subventions to steamship lines, and by highly integrated organization of governmental and business components. It is essential that this country should permit its manufacturers, who are struggling to build up their export trade, every reasonable similar means of combating such competition.

A group of American manufacturers under the sanction of the government might well afford to give the necessary credit to China for the purchase of railway or other materials with the knowledge that their guarantee of the bonds accepted, and the active assistance of bankers in underwriting and distributing such bonds to investors, would mean an immediate market for these obligations.

While it seems clear that the government does not purpose to stand aloof from assistance to foreign business, there has not as yet been developed any comprehensive plan whereby such aid can be offered and administered. It is conceded that export trade is a vital part of our national prosperity, that without export trade it is impossible at any time for our manufacturers, capable of producing largely in excess of domestic requirements, to operate to that percentage of capacity which will insure adequate returns upon capital and suitable employment for labor at the wages to which Americans are accustomed and which are required by their standard of living.

There are many groups of competent men versed in the export trade of this country, such as the National Foreign Trade Council, the American Manufacturers' Export Association, the American Asiatic Association, and the chambers of commerce of New York and of other export or manufacturing centers, who would be glad to give their services to the government in foreign-trade problems, such as encouraging foreign investment with a view to greater permanency in the export trade.

American manufacturers and bankers are not seeking to exploit any foreign markets for ulterior motives, but merely to assure to our people a reasonable share of the development of those markets and a reasonable proportion of the orders arising from that development.

If the European war has no other effect on the destinies of the world, it will have awakened the American people to a sense of their world power and responsibility; it will have impelled them to discontinue harassing their business men with all the trivial trials of inquisition into big business; the shackles that have fettered business men may be unloosened to the extent which will permit American manufacturers, bankers, shippers and laborers to realize their manifest destiny in the trade of the world. Our public press, which has been devoting more attention to the problems of foreign commerce, can accomplish a great change in the mental attitude of those who are not students of affairs abroad, or who have been indifferent to foreign commerce and the necessity of foreign investments. If it is realized that a definite policy of diplomatic support will obtain when loans have been approved by the ruling administration, there being no question of coercion or territorial aggression, but merely insistence on the proper administration of loan funds, the proper audit of expenditures for materials and labor, investors of this country will appreciate that the financial stability of these countries is assured because of the honest and proper application of funds supplied for revenue-producing purposes. Under a regime of capable management there can be no likelihood of default or impairment of the investment, as self-interest will dictate co-operation with the representatives of the bondholders to assure recurring supplies of capital.

The necessity of meeting future world competition requires the mobilization of the trade resources of the nation, the co-operation of its manufacturers, bankers, shippers and laboring elements on the basis of preparedness for all eventualities. American manufacturers have always given an honest dollar's worth of goods for a dollar. Our export trade has been built up, not on the ephemeral basis of war requirements, but on

solid ground-work through years of ingenious workmanship, honest salesmanship, superior quality and capable service. In the quest of foreign trade the country can rely on its merchants and manufacturers measuring up to the highest standard of probity and demonstrating by the superiority of their products and methods that they can overcome the initial difficulties of a late start in competition with the older nations. This can be done to a certain degree independent of foreign investment and government aid, but the ideal of a permanent and constantly expanding export trade is founded on practical and liberal support at home with intelligent and alert diplomacy abroad, supplementing good quality, fair prices, and reasonable credits based on judicious financing.

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## OUR TRADE WITH SOUTH AMERICA AND CHINA <sup>1</sup>

WILLIAM R. SHEPHERD

Professor of History, Columbia University

**A**S I listened to the papers this afternoon and noted the topic for discussion, I couldn't help feeling that after all the paramount interest of an economic character with us seems to be, not so much the development of the American merchant marine as the development of American foreign trade.

It has often been asked why the United States no longer commands the position on the ocean that it had in the fifties of the last century. Of this circumstance various explanations have been offered. At the time of the construction of iron ships our own iron industries were not sufficiently advanced to enable us to build ships in anything like satisfactory competition with certain of the nations of Europe. Furthermore, it has been pointed out that the American rate of wages and the conditions under which the American sailors wish to live are of such a nature as to render it impossible for us satisfactorily to compete again with European shipping activities, unless some sort of aid is received from the government.

Democracies are regularly suspicious about the giving out of public funds for a particular interest. We know the strong disinclination that has been manifested in the halls of Congress to grant a shipping subsidy. Attention has been called on many occasions to the fact that, as our population has moved westward, it has lost correspondingly its interest on the seas. It has been ascertained, further, that if we have any capital to invest, it had better be placed where it will bring surer and easier returns than would be the case were we to put that money into ships. Better is it, therefore, cry those who favor this policy, to have our goods carried under foreign flags and

<sup>1</sup> Discussion at the meeting of the Academy of Political Science, November 12, 1915.

to devote whatever financial energies and abilities we possess rather to the development of industries at home.

In the world today there are just two great fallow areas that apparently call for exploitation. Whether the people who inhabit them are altogether pleased at the thought of being exploited for the benefit of the foreigner is quite another matter. I am afraid that, in questions of business, it isn't always possible to consult the wishes of those who are actually on the soil. The world at large has progressed to its present material position mainly through the utilization of regions held by people who were unable of themselves to develop their resources. Unconsciously, perhaps, we are following the dictum laid down by the founder of Christianity himself when he left to posterity the story of the man and the talents. The two areas to which I refer are South America and China. In the one respect of possessing immense natural resources which have not been developed in any commensurate degree, they are quite alike. In many other respects they are very different.

Concerning the relationship of the United States to these areas, it must be borne in mind that we have established in the New World a species of hegemony or headship or political tutelage, or anything else you want to call it, over the sister republics of this country. Its expression we term the "Monroe Doctrine." In point of fact, what we have done is to assert the primacy of this nation over its twenty fellows.

The situation of China is quite dissimilar. Here you have, not an instance of one foreign state holding others in a condition of quasi-tutelage, but a number of foreign states endeavoring to assure their control and to ascertain what parts of it must be shared. Up to the outbreak of the war there were several European nations working for the alleged welfare of China. Perhaps they were so concerned. My own feeling, however, is that they were interested very much more in their own welfare, and that the advantage of China itself was a more or less negligible quantity. It would seem that the only country that did possess a sincere interest in Chinese progress was the United States. It was our land that first developed educational and intellectual relations with the Chinese. In-



deed, it seemed a harbinger of the closest friendship when the thirty young Chinese students came to us in 1871. From that day onward it would appear that the Chinese have looked rather to the United States than to Europe or to Japan for guidance and suggestion and help.

But whereas the history of the United States in connection with the South American countries has been one of constantly growing influence, the record of the Americans in China since 1905 at least has been one of constantly diminishing prestige. The Chinese is a canny person. He knows perfectly well why the European powers and Japan profess to be so much concerned in his welfare, and why the United States showed so much interest. He appreciated the fact, that however much we sought commercial opportunities, we were not there for the purpose of partitioning his territory or of sharing it with others, that our real designs were of a friendly and altruistic sort. Within the last ten years, and notably since the beginning of the war, there has been arising in Asia a condition analogous to that which prevails in the New World. Another kind of headship is being established, a new "Monroe Doctrine" is being formulated, and it isn't the United States that is about to make that "pronunciamento" effective. It is the nation which lies nearest to China, and which, in the nature of things, seems best equipped to exercise a predominant influence over that country.

Up to the outbreak of the war it looked as if China were to suffer the fate of partition into areas of concession. The first effective halt that was called to the process was made by Japan. The United States, meanwhile, had been endeavoring to obtain, as we have heard today, from the European powers and from Japan an assurance that henceforth all of the foreign nations concerned in the development of the Chinese Empire, and later Republic, should agree to recognize an equality of commercial rights and privileges — that is to say, an equality of opportunity. But it is a significant fact that, for the last ten years, the assurances which have been received by the United States on this point have not brought with them anything like a commensurate development of American influence, financial, commercial or otherwise.

It must not be forgotten that in the Far East, and in a large measure among our South American neighbors also, politics, trade and finance go together. If we wish to be powerful in foreign trade, we must be prepared to assume the manifold responsibilities it entails. Unless we are so inclined, we must endure effacement.

Ever since the war began the attitude of our men of business appears to resemble that of the ostrich with its head in the sand. Our commercial interests, to be sure, have been profiting immensely by the titanic conflict across the seas. For the moment the body of the ostrich has been growing fat, but its head still remains covered. The day will come when the struggles will cease, and the ostrich will have to raise its head and look about it, but it had better start doing so before the conflict is over.

While in the Far East some years ago I had an opportunity to watch the way in which the combination of politics, finance and trade was working. I could perceive then how difficult it was going to be for the United States to compete advantageously with rivals long experienced in the arts of such a combination. Just now the country employing them most profitably is Japan, and none can hope to vie with her unless the other country is ready to utilize much the same methods. How difficult our particular problem is finds evidence in the many respects that show the especial fitness of the Japanese to deal with the Chinese. They are essentially of the same race stock, their languages are similar enough for the Japanese to learn Chinese quite readily, and their customs are much alike. The Japanese, accordingly, are singularly adaptable to Chinese conditions. More than that, the Japanese possess a technical knowledge of commercial mercantile transactions in the world at large which the Chinese do not have.

If you will add to all this the circumstance that the Japanese receive from their government an amount of support and encouragement which enable them to utilize their natural-born traits of patience, endurance and intelligence, and their bent for ubiquity, for seeking trade opportunities everywhere, it places a mighty obstacle in our way to overcome. The Japa-

nese government, directly or indirectly, aids the Japanese, not only in Manchuria, but in China at large, by subsidy, by special privileges at the custom-house, by reduction in railway charges, and by reduction in steamship rates. When you consider, furthermore, that all of this is done under a political régime that is admirably organized for the purpose of pushing the endeavors of its nationals to the fullest possible extent; and when you remember that we are organized in just the opposite sense, that among us individual effort is the sort most prized and that the union of individuals under efficient governmental direction is something to which we have not yet attained, you can readily perceive again that our pathway to the gaining of trade in the Far East is not an easy one. What I have said of the Far East, I venture to think, will eventually be true to a large extent of South America as well.

One of the speakers, Mr. Straight, brought out the remarkable statement that whoever wins the present war, the outcome will be that of German organization. Rather than call it "German organization," I should use the term "socialized efficiency." You have two mighty principles that are contending for the mastery in the world today. One is that of "individual liberty," the other of "socialized efficiency." They are struggling, not only on the battlefield, but in the marts of trade, at least in a potential sense. Accordingly, it remains for us who hitherto have been exponents primarily of the principle of individual liberty, and of democracy, to decide whether we can so organize our democracy as to produce a union or a reconciliation of an inherited individual liberty with an acquired socialized efficiency, such as that which is exhibited by Japan in dealing with the Chinese problem, and such as that which is displayed by Germany in the war. It isn't a question of army and navy. It is a matter of what lies behind and under these apparent forces. It is a question of establishing that stage of human achievement which is reached by an effective application of the best results of activity in all branches of knowledge to the welfare of the individual and the state.

## THE TARIFF IN RELATION TO FOREIGN TRADE <sup>1</sup>

GUY EMERSON

Associate Editor, *The Economic World*

I OUGHT to say that in speaking to you today on the subject of the tariff in relation to foreign trade I am simply appearing at short notice to take the place of Mr. William Hamlin Childs. I came prepared to talk briefly on the subject of a tariff commission as an important step toward the greater national efficiency which our rapidly developing international interests so urgently demand. The subject of the tariff is one which has been discussed in this country for so many years that probably no one fails to realize its far-reaching importance and significance. At the present moment, however, as we are coming more and more closely in contact with the great markets of the world, the proper treatment of the tariff has assumed an importance in many ways greater than at any time in our history.

The tariff, in its simplest terms, takes into consideration the levying of duties on imports; but people nowadays are coming generally to realize that there is more to it than that. For example, foreign commercial treaties come into consideration, and it is absolutely necessary, in order to have a tariff system which shall be beneficial to the country, that we have commercial treaties drawn with a view to their meeting the needs of our tariff system.

In the past this has been met by the establishment of what are called maximum and minimum tariffs. Under this particular form of tariff, the President is permitted to adjust rates of duty between certain high and low limits which are fixed by Congress. This privilege was given to Mr. Taft in the Payne-Aldrich Law, and it was also provided in that law that he could appoint experts to help him in determining what the rates of duty should be under the maximum and minimum clause. Taking advantage of that provision, he appointed what was later known as the tariff board. That board was not

<sup>1</sup> Address at the meeting of the Academy of Political Science, November 12, 1915.

the first we had had in the country. There was one under President Arthur, and there were several minor instances of attempts to get this matter on a scientific basis. The Taft board, however, was the first one which intelligently studied the schedules one by one in an endeavor to put them on a scientific basis. It did much good work. But before its work was nearly completed it was quietly abolished. As you know, it ceased to exist when the chairman of the committee on appropriations struck out the appropriation providing for salaries and expenses. Since that time we have had none.

The various speakers today have brought out clearly that we are in the midst of a new era in international trade. There never has been a time, therefore, when it was more important that our tariff should be on a sound and scientific basis. We are the only large commercial nation which has no tariff board, or some other organization which does the work of a tariff board.

It may be said at once that the gentlemen who are supporting the present movement for a tariff commission, about which I shall speak in a moment, do not believe that the moment the tariff commission is appointed all our tariff troubles will cease. We can be sure of this because of the example of the foreign tariff commissions. We know, for example, that the German tariff commission took nearly thirteen years to go over their schedules once and put the matter on a fundamentally scientific basis. It took the French commission nearly twenty years to get the thing in a working business form. Of course, a problem of this sort can never be absolutely concluded. The tariff must change with changing commercial conditions. There must be a provision for elasticity. But if it can be established that the tariff commission is the proper thing, the sooner we get it established, the sooner will it be in a position to give the country the advice and information it needs in this very vital matter.

There is another important point to be made in approaching the subject of the tariff commission: that is the fact that the subject appears at first glance to be full of political dynamite. There is not a subject in the United States about which



so much has been said and written. Since 1789 there probably has been no single month during which nothing about the tariff has appeared in the press of the United States. It would seem by this time that we ought to know something about it and ought to be able to work out a satisfactory tariff act. We have not been able to do so, however. From an entirely non-partisan standpoint, a proof that the present tariff act, which men who have studied the situation believe to have been very conscientiously drafted, is not adequate, is that the men who framed it are now proposing many changes in it. This has always been the case, and as long as the present methods are employed, always will be the case.

But why have we not all agreed long ago on a non-partisan tariff commission as the true solution of the question? In my opinion, it is because all matters connected with the tariff have been supposed to be purely political. This is really not true. The gentlemen who favor a tariff commission as a solution for tariff difficulties do not believe that this age-long conflict of opinion between protectionists, free-traders and tariff-for-revenue men is going to be stopped as soon as we get a tariff commission. But it should be constantly borne in mind that the question of protection, for example, is a purely political question. The people who believe in protection cannot agree with the people who believe in free trade, and it is ridiculous to assume or suppose that merely because we get a government commission of experts those people are going to surrender their life-long views with regard to protection and free trade. For a long time to come the public will desire to register its views as to whether or not it shall have protection, or as to the amount of protection, and to elect a Congress representing its views in that regard. But, when that is done, there is still a lot more to be done. Let us suppose that we have had a national election and the people of the country have registered their determination to have a high tariff. Who is going to carry that behest of the people into effect? There is absolutely no organization in this country now capable of doing that important work.

Every article which comes into this country is subject to a



rate of duty with the exception, of course, of the articles on the free list. The taxes levied on these goods, as you know, have an enormous effect on the industries involved. A high rate of duty has one effect, and a low rate of duty has another, and it is absolutely necessary for a man who is running an industry to know whether he is going to have a high or a low rate of duty. The problem is enormously complicated. There are thousands of articles to be considered; some of them involve considerations so technical that only men with a life-long experience in the subject can understand them. The fourteen schedules into which the present tariff act is divided all involve the greatest technicality.

Let us take the first schedule of all, Schedule A, covering chemicals, paints and oils. There are items in that which are absolutely unpronounceable. Nobody but the most expert chemist could attempt to understand the elements in Schedule A. And yet, with all the millions of dollars involved in this matter, when the present tariff act was drafted a congressman from New York was given charge of that schedule. He admitted that he did not know anything about chemistry. He did obtain the services of one of our customs experts, a trained chemist. But it is obvious that no one man, even with a technical assistant, could in a few weeks form correct conclusions as to the proper rates of duty on all the chemical items imported into the United States. These men were conscientious. They undertook an impossible task and did their best with it. As I said before, the whole tariff act was a conscientiously-drafted one; but we need in this country today scientific and constructive work, not conscientious failure. Successful accomplishment requires most careful training and long study.

As a result of a feeling of this kind on the part of a great many men of influence in the United States, a movement has recently been started under the auspices of the Tariff Commission League to take tariff-making out of politics. I should like to take one minute to give a brief history of this organization, because I think it is a remarkable one and characteristic of the new spirit which is coming to the front in this country. In other words, this Tariff Commission League is

not merely a paper organization, but is one which is going to produce the desired results.

The Tariff Commission League is based on the theory that the people can get anything they really want. Congress for many years held out against civil service reform, against reform in the ballot system, against the direct election of senators, and it would probably be impossible to conceive of movements which were more bitterly opposed at their inception than these. And yet they were passed, because the public demanded them. Now, in a matter of this kind which is somewhat technical, it is necessary to do rather more than in the case of a direct election of senators, which is in itself a rather spectacular matter, one which has immediate appeal to almost everyone. Consequently, it was believed that in bringing about this efficiency measure, efficiency methods were necessary.

It so happened that a few years ago there was formed in this country an organization known as the Soil Fertility League. That organization had for its purpose the appropriation of large amounts of money to help the farmers to study their problems, to increase the fertility of the soil and to put agricultural matters on a scientific basis similar to the situation in other countries. Mr. H. H. Gross, of Chicago, was President of the Soil Fertility League, and after two years of very clever and persistent work their bill was passed. The Secretary of Agriculture said about it in his last report that he considered it the most important economic measure of the generation.

When the bill was passed the Soil Fertility League had nothing to do, so it was suggested that the successful organization should take up a work which was considered next most important to the country, namely, the putting of tariff-making on a sound and scientific basis and relieving the country from the periodic upsets which usually accompany changes in tariff schedules. That was done. Directors, members of the advisory council representing all phases of our economic life, were obtained. The work is not at all of the spread-eagle variety, but takes as its fundamental principle the necessity of

convincing the people who have the shaping of public opinion of the need of this great work. It works from the ground up. For instance, the field men go to the editors of all the papers in the country. They sit down and talk with them. If the editor has any objections, they try to convince him of the soundness of the present plan. We have not drawn a circle around the manufacturing element in the community, for instance, and gone to Congress with the statement that we were representing a nation-wide feeling. We have taken into consideration and represented on our advisory board agriculture, labor, manufacturing, finance, trade, and the scientific and academic element throughout the country. The work, I may say, has progressed to the point where fully 90 per cent of the great papers have stated that they would support it, and it is hoped that the next Congress will pass an adequate measure.

In conclusion, I may say briefly what kind of measure we propose. The main point has to do with the quality of the men. We can pass all the measures we please and if we fail to get the right men to fill the places we might as well have saved our time. Commissions depend on the quality of the men on them; so the proposed bill calls for salaries of \$12,000, which equal those now given members of the Federal Reserve Board. We hope in that way to induce equally high-class men to accept positions on the Federal Tariff Commission. That is the real essence of the matter, to get good men down in Washington who will give their whole time to this one important element in our economic life. We do not want to do anything which will make Congress feel that we are imposing on their constitutional prerogatives of initiating tariff legislation, but we do feel that if those men are first-class men, they will very soon make their influence felt in Washington. When the President wants to know anything about the tariff, he will consult those men who have given the matter thorough study; the Ways and Means Committee will consult them; the Finance Committee in the Senate will consult them; and in the long run we shall have made a distinct advance towards the seemingly impossible ideal of taking the tariff out of politics. Moreover in doing so we shall have made a notable contribution to National efficiency.

## PROBABLE EFFECTS OF THE WAR ON THE FOREIGN TRADE OF THE UNITED STATES <sup>1</sup>

GROVER G. HUEBNER

Assistant Professor of Transportation and Commerce, University of Pennsylvania

**I**N the summer and early autumn of 1914 it was the belief of many that American exports would speedily take the place of European wares in the neutral markets of the world, and that the advantages gained under the stress of war would in a large measure prove to be permanent. Particular emphasis was placed upon markets of South, Central and North America, Australasia, the Orient and Africa, for it was there that American and European manufactured wares had been in active competition for more than a dozen years. Though American exporters had made rapid progress, they had been obliged to compete against strongly established foreign rivals. That the intensity of this rivalry would be less so long as the principal European countries were engaged in their campaign of mutual destruction was certain, and it therefore seemed that an opportunity was being offered to American exporters to enter these markets unhindered and so to intrench themselves commercially that when peace returned they would find themselves in a greatly improved competitive position. When their British, German and French rivals later re-entered these markets they could at least make a whole-hearted effort to retain permanently as large a share of trade as possible.

The expectation of acquiring a large deep-sea merchant marine also ran high, and was accompanied by the hope that the gains readily made possible by the neutral position of the United States would in a large measure prove to be permanent. To put these hopes into effect, the ship-registry laws

<sup>1</sup> Read at the meeting of the Academy of Political Science, November 12, 1915.

were so amended as greatly to facilitate the registration of foreign-built vessels under the American flag.

That the export trade of the United States has made a great advance since the outbreak of hostilities is now so well known that repetition seems superfluous. The value of domestic exports in the fiscal year 1915 was \$2,716,000,000 as compared with \$2,329,700,000 in the previous year, and the excess of exports or so-called favorable balance of trade exceeded a billion dollars, while in 1914 it had been less than half a billion. In spite of declining imports, the total foreign trade reached the unprecedented aggregate of \$4,442,759,000; and railroads, vessels and ports are being congested with foreign-bound freight. Meanwhile, the registered merchant fleet of the United States—that portion of the marine which is engaged in the foreign trade—grew from 1,076,152 gross tons on June 30, 1914 to 1,871,543 on June 30, 1915—a net gain of 795,391 tons for the year.

Yet these rapid advances in exports and vessel tonnage do not constitute evidence that the early expectations of permanent trade advantages are being realized. A glance at the foreign trade returns discloses the temporary nature of the export boom and abnormal trade balance; and unless effective action of some sort is taken there is every likelihood that the most of the foreign-built vessels that changed registry during the war will return to foreign flags when peace is declared and neutrality is no longer a commanding trade asset.

The increase in exports has been confined largely to products which are directly dependent upon the European war. Thus, exports of foodstuffs jumped from \$429,956,000 in 1914 to \$902,352,000 in the fiscal year 1915; war munitions, other than big guns, which are not listed, from \$8,127,000 to \$50,027,000; war supplies, such as horses, mules, harness, saddles, aeroplanes, commercial automobiles and tires, wagons, gas oil, fuel oil, barbed wire, horseshoes, and surgical appliances from \$28,993,000 to \$169,520,000; materials for making munitions, such as spelter, lead, brass and brass manufactures, wire rods, steel billets, lathes to be used in making shrapnel, and sulphuric acid from \$36,688,000 to \$132,209,000; hides, leather

and foot wear from \$39,476,000 to \$70,014,000; forage, such as oats, hay, cottonseed cake and meal from \$1,585,000 to \$78,367,000; and textile manufactures from \$56,257,000 to \$99,301,000.

The temporary nature of most of these exports is obvious. One of the cleanest-cut tendencies of the export trade since the close of the nineteenth century had been the relative and absolute decline in the exports of breadstuffs, meat animals, and in late years also of meat products, and it is, therefore, entirely unlikely that the sudden increase in such exports will continue permanently after the war prices come to an end, and Russian and other food supplies again become available. Food exports now include such articles as sugar, which can scarcely hope to hold the European market permanently in competition with European beet sugar. The increased foreign sales of textiles and of hides, leather and footwear were also due almost entirely to the unusual temporary demand in Europe, which normally is not a large market for American wares of this kind. That the shipment of huge quantities of forage to Europe is temporarily brought about by the war is undoubted, a goodly portion being consumed by the American horses and mules which have been shipped to Europe since the war began. The temporary nature of the exports of munitions, war supplies and munition materials are obvious. Not even the prayers of those who are profiting from the manufacture of such wares can continue their exportation permanently when the slaughter in Europe ceases.

There has been no amazing increase in such of the staple exports of the United States as are not dependent upon a war demand, and many of them declined during the fiscal year 1915. The value of cotton exports declined by \$234,257,000; that of iron and steel and manufactures thereof, even including increasing items such as barbed wire and shrapnel lathes, fell \$25,592,000; naval stores \$8,755,000; mineral oils \$18,481,000; leaf tobacco \$9,470,000; lumber and wood manufactures \$53,236,000, and agricultural implements \$21,661,000. The exports of phosphate rock, paper, coal, tobacco manufactures and electrical machinery likewise declined, and those of



copper declined greatly when Germany, the largest foreign market for American copper, was closed, although in this case the increased demand on the part of American ammunition plants resulted in larger domestic sales. There has been some improvement during the last few months in the shipment of some of the exports which had declined during the fiscal year 1915, but few of them have regained even normal proportions.

The extent to which the early expectation regarding a permanent increase in exports has not materialized is further disclosed by an analysis of the destination of the exports which have been responsible for the temporary advance. Although the proportion of total exports shipped to Europe had steadily fallen since 1900, because agricultural exports other than cotton and leaf tobacco were declining and manufactures found their chief foreign markets elsewhere, the exports to Europe during the fiscal year 1915 suddenly sprang from \$1,486,499,000 to \$1,971,432,000, and from 62.8 to 71.2 per cent of the total export trade. The exports to all of the remaining continental trade divisions, except Africa, declined, although large increases had been predicted. Those to North American countries fell from \$528,645,000 to \$477,081,000, the only exceptions of importance being Cuba and Santo Domingo. Those to South America fell from \$124,539,000 to \$99,324,000, Venezuela being the only important exception. Those to Asia, aside from the shipments to Asiatic Russia which were destined to Europe, declined from \$112,211,000 to \$91,114,000; and the exports to Australasia fell from \$83,568,000 to \$77,764,000. Much improvement has occurred in some of the non-European markets during the last few months of the fiscal year and since then, particularly in the South American countries, but the effects of the war period as a whole have been disappointing so far as the exports to non-European markets are concerned.

It is true that our exports to some of the neutral countries of Europe have increased, particularly those to Denmark, Sweden, Norway, Holland and Greece. Yet these trade increases will be no more lasting than those to the belligerents whose trade routes have not been closed, for they consist mainly of

foodstuffs and other products normally obtained in large part from sources which, because of the closing of the Dardanelles and Baltic and the prior needs of the belligerents, are temporarily not available. The trade with the neutral countries of Europe would have been even larger but for the persistent interference with American trade and shipping by the belligerents, contrary to international law as understood by the United States government. The almost complete cessation of the direct trade with Germany has, moreover, led to the use of substitutes, which may or may not result in a permanent shrinkage in the demand for exports such as copper, cotton, gasoline and phosphate rock.

Instead of being jubilant over a huge excess of total exports over imports, it is more significant to note that in the trade with non-European markets there was an excess of imports, and that it grew from \$120,242,000 in 1914 to \$262,657,000 in 1915. To maintain permanently an excess of total exports such as has resulted from the growing export and declining import trade with Europe since the war began is manifestly impossible under present conditions. It has occasioned one loan of \$500,000,000 and others may follow. Perhaps it is not out of place to suggest that if similar financial assistance had been extended to some of the countries of South America and elsewhere trade gains of a more lasting variety would have resulted.

If the war should continue to rage for a long time to come and the progress which has very recently been made by American exporters in some of the non-European markets should become more far-reaching, something of permanent value may still be accomplished. Otherwise when peace returns, the policy of preferring huge temporary war profits will leave the foreign trade with these markets about where it was before the war began. Indeed the American exporter may find it more difficult than ever to capture his full share of trade in the competitive markets of the world, for his English, German and French rivals will doubtless make a supreme effort to regain any markets which were temporarily lost. Those who at one time believed that some of our great European competitors

would be completely crushed by their military enemies must see that after over fifteen months of struggle there are as yet no indications of such a result. They will all be there when peace is declared, and their aim will be to retake at almost any cost such markets as they have lost. Foreign markets for manufactures are a matter of commercial life or death to Great Britain and Germany; and to whatever extent they may, in their hatred for each other, hesitate to re-establish mutual trade relations, to that extent will they be obliged to seek greater foreign markets elsewhere.

May the United States make hay in South America and other much-sought markets while the sun does not shine in Europe, so as to be able to withstand the severe competition which is likely to arise. Confronted by higher costs of production at home, for the wage advances which the war has occasioned will become a problem after war orders cease to come, the position of the United States in the competitive foreign markets of the world will be none too bright. As regards the Chinese market, moreover, it is uncertain whether in the light of recent occurrences the open door policy which has long been supported by the United States will be fully maintained in the future. It is for these reasons that the establishing of effective banking and credit facilities, trade machinery, steamship lines, and investment relations during the war would in later years be an unmixed blessing to American exporters and importers. The establishment of such facilities would give to them a far better opportunity, not only to retain a portion of their rivals' business, but to develop new trade in the future.

What has been accomplished in increasing the vessel tonnage registered under the flag of the United States is gratifying, for over five hundred thousand tons of the increase represent tonnage which formerly operated under foreign flags. It has not, however, prevented a severe shortage in available commercial tonnage. A large number of enemy ships are interned in the ports of the belligerents and of neutral countries; many have been destroyed; some have been requisitioned for military uses; the free movement of others has been in-

terfered with by detention at British and French ports; and meanwhile British shipyards, which are the principal source of the world's deep-sea tonnage, have, because of their larger use for military and naval purposes, greatly reduced their current output of merchant tonnage. American shipyards report an extraordinary volume of new orders, but most of them do not call for delivery before the last quarter of the year 1916 or the first half of 1917.

This shortage in merchant tonnage, accompanied by frequent delays at European ports and by an unusually large volume of foreign-bound freight is chiefly responsible for the unprecedented rise in ocean freight rates which has occurred. In the trade with European countries present freight rates average from five to six times the rates which prevailed before the war began, and in other parts of the world, although far removed from the battlefields, they also average from three to four times the rates which were formerly charged. The increase of our registered merchant fleet, moreover, may not prove to be a permanent increase unless speedy action is taken by Congress with a view to making it commercially possible to remain under the American flag during times of peace. The beneficial effects of the amended ship-registry act of 1914 are partly, at least, counteracted by the Seamen's Act of March 1915, which further increases the operating costs of American ships as compared with those of vessels operating under foreign flags. Whether or not the sale of its fleet by the Pacific Mail Steamship Company was due entirely to this statute and to the clause in the Panama Canal Act which prohibits railroad vessels from using the canal is immaterial. Their sale was undoubtedly encouraged by these statutes, as was also the transfer of various additional American vessels to foreign flags and to Canadian terminals. The trade between the Pacific coast of the United States and China has been needlessly burdened by an acute shortage in tonnage, which, unless it is remedied soon, is likely to have effects difficult to overcome in the future.

While little has thus far been accomplished during the war in furtherance of the country's future foreign commerce, and

the effects of the war from this viewpoint have been disappointing, something has in fact been accomplished: (1) The exports from the United States to the non-European markets have in recent months begun to increase, and some of the trade which was formerly conducted by Europe is being transferred to the United States; (2) a beginning has been made in the establishment of American branch banks in Latin-America, three having been established in Brazil, one in Argentina, one in Uruguay and one in Cuba; (3) the American deep-sea merchant fleet has, temporarily at least, been largely augmented; and (4) the serious embarrassment of commerce resulting from the lack of sufficient ocean-going vessels, and the difficulties incident to the transfer to the American flag of vessels which were formerly owned by foreign capital, has emphasized the desirability of a larger American merchant marine as nothing else had ever succeeded in doing.

A program which looks to the future growth of foreign commerce, to the permanent retention of such vessels as have registered under the American flag, and to the further increase of the merchant marine, is doubtless of more interest than criticism of the general course which has thus far been pursued since the European war began. The abnormal war trade with Europe has been preferred because the immediate profits which it promised were immense, but that attention will swing back to normal trade channels after peace returns, if not sooner, is scarcely subject to doubt.

To further these aims, it is believed that the merchant marine engaged in the foreign trade should be encouraged in three ways: (1) negatively by revising the navigation laws, a revision which may well begin by amending section 13 of the Seamen's Act so as to eliminate the language test and the minimum percentages of able seamen among the deck crew; and (2) positively by subsidizing a limited number of steamship lines in the South American, Oriental, Australasian and South African trades so as to make it possible for them to render a service equal in quality to that which is enjoyed by European exporters and importers. Something more than the revision of the navigation laws is necessary, for such revision



could not and ought not to be so severe as to eliminate the full difference between the operating costs of American and foreign vessels. Funds paid to a limited number of lines operating under definite government contracts which require a service of agreed frequency, rapidity, and general excellence would do much to enable the American exporter of manufactured wares more readily to compete in the most promising of the world's markets. The experience of foreign countries has made it clear that subsidies paid under contract make possible steamship services better than the traffic of the moment warrants, the subsidized vessels acting as a means of promoting trade—as trade pioneers and not only as transportation vehicles. The appointment of a federal shipping board to make detailed recommendations as to the revision of the navigation laws and to administer the subsidy policy so as to guarantee its effective application would do much to promote the future trade and shipping of the United States. Assistance of this kind would do more to build up an American merchant marine than the policy of government ownership of steamships. Such a policy would have a discouraging effect upon private steamship companies and would probably in the long run tend to check rather than promote the growth of American shipping. It is doubtful, moreover, whether in the absence of private incentive the government-owned vessels would be operated as efficiently as government-subsidized but privately owned steamship lines. The most effective sphere of government activity is to regulate and assist rather than to undertake the actual operation of merchant vessels. (3) American vessels and their cargoes should be protected against foreign seizure or detention to the full extent that international law permits. The value of this protection may seem less permanent than the other remedies which have been suggested, because vessels and cargoes are seized or detained only when nations are at war; but who can tell how long the present conflict will continue, and what guarantee is there that others will not occur in the future? The enforcement of the policy regarding the "freedom of the seas" as announced in the note addressed to Great Britain on October 21, is essential to the maximum growth of American shipping and foreign commerce.



The legislative program might also include a modification of the anti-trust statutes in such a way as to permit industrial or commercial concerns to combine in the conduct of their export trade. Small as well as large American concerns could then more readily obtain a fair share of the foreign trade; joint marketing organizations could be more readily developed; and competition could be directed against foreign competitors instead of against domestic rivals.

When unwise legal restrictions have been removed and adequate steamship facilities have been provided, it then behooves the private interests engaged in the foreign trade to promote their foreign transactions in every way that they legitimately can. These interests include not only the manufacturers and other producers, and the various types of export and import merchants, but also the country's banks and the investing public. The establishing of foreign branch banks greatly facilitates international settlements and the extension of needed credits, and should also do much to encourage the foreign investment of American capital. That foreign trade follows investment has become a trade axiom. As was stated by the chief of the bureau of foreign and domestic commerce, which aims to assist in the development of the foreign trade, "It is only through the investment of capital that foreign trade can be secured and held. If the United States is serious in her desire to develop foreign trade, she must lend; she must invest; she must buy foreign securities."

Considerable sums of American money have been invested in Canada, in Mexico, in the Central American countries, and in some of the West India Islands, and it is not a mere coincidence that our relative trade position has been stronger there than in South American and Oriental countries. In South America and elsewhere the investment of American money has made but a bare beginning in comparison with what has been done by British and German investors. To increase our exports permanently it is necessary that extensive investments be made in the newer countries of the world; the railroads, street railways, mines, ranches, land companies, and other industries so financed will then encourage the purchase of American

exports, just as British, German and other European investments have fostered the foreign trade of Europe. Moreover, investments abroad are essential to stabilize international exchange, for if the exports of the United States are to increase rapidly something must be done to balance the country's excess of exports over imports. I do not refer to the impossible temporary excess which exists at present, but to a safe and sane balance such as would probably result from the normal increase of the export trade in times of peace. This can be done in part by an increase in imports, but assuredly it is not the intention of American exporters to be governed solely by the purchase of foreign commodities. The excess of exports can also be covered in part by the re-purchase of American securities now held in Europe, although the relief so afforded would last only until liquidation is completed. The ultimate solution is the purchase of foreign securities—the investment and re-investment of American capital in the countries where it is hoped to find the largest foreign markets for American exports. International trade in securities and in commodities goes hand in hand, and particularly is this the case in those commercially undeveloped countries whose trade the United States is anxious to acquire.

## DISCUSSION

PROFESSOR EDWIN R. A. SELIGMAN : <sup>1</sup> To those of you who are old enough to remember much of the past decade, it is a rather sad and discomfiting spectacle which confronts us: a nation which a century or a little more ago had virtually the commercial mastery of the seas; a nation which before the civil war had its flag flying in every port in the world, civilized and uncivilized, is today a nation whose overseas commercial shipping is almost a negligible quantity. Many of you, I fancy, in traveling in Europe, through the Suez Canal, the Orient, must have been painfully struck by the rarity of the American flag. We see every other flag in the world, the Norwegian and the Danish and that of every other small nation, but the American flags are few and far between. The problem has now become acute in the United States, all the more acute because of the recent movement for military and naval preparedness. I have no doubt that in the papers and discussions with which we shall be favored today ample opportunity will be given to emphasize both these points, but I wish at the outset to accentuate that point of view. The problem of American shipping is only partly an economic and commercial problem. It is also partly a naval and military problem. We know that the efforts made and the achievements accomplished by Great Britain and France in different parts of the world, would have been utterly impossible without the immense auxiliary fleet which has been at their disposal. We look back with shamefacedness upon the history of our picayune trouble with Spain. We know to what lengths of inefficiency we were compelled to descend, not so much because of military, as because of naval, unpreparedness. I therefore wish to strike this note at the outset of the discussion. The problem before us is a great one, not alone in its economic and commercial aspects, but from the point of view of nationalism as well.

<sup>1</sup> Introductory remarks as presiding officer, November 12, 1915.

MR. RORERT H. PATCHIN: I wish to speak briefly as secretary of the National Foreign Trade Council, an organization of fifty representative business men from all over the United States, representing different elements in foreign trade—agriculture, manufacturing, merchandising, transportation and finance. Practically all of them have for many years been engaged in exporting or importing. They are trying collectively to do something to help foreign trade by investigating the problems confronting all concerned in it. The encouragement of a truly national foreign trade policy is the Council's object.

The shipping question has been for months one subject of their labors. For several months during the debates in Congress I made notations from time to time of the subjects in controversy relating to ocean shipping. It was apparent from the *Congressional Record* that the debates ran to interminable length because there was little comprehension of the fundamentals of transportation by sea. Accordingly, we started to search for definite information on these controverted points. By original research and otherwise a report was prepared combining for the first time under one cover many points important to any nation beginning to develop its ocean shipping, but not to be found in convenient form in any one publication.

Opinion on the shipping question in this country is probably even more chaotic than was opinion on the question of banking and currency before the atmosphere was clarified by the report of the National Monetary Commission. That report is at the basis of the present Federal Reserve Act, which is everywhere regarded as a great success. A general idea of ocean shipping is, that vessels shall go to and fro on a given course with abundant traffic at both ends. That is the exception rather than the rule. I believe the steamship *Mauretania* is of 32,000 tons register and carries about 1500 tons of freight, because its passenger traffic is most profitable. Fast lines are not maintained anywhere in the world where there is not a fair passenger traffic. That is the reason why steamers from Europe to the east coast of South America are larger and faster than those from New York, because there is a

larger immigrant traffic across the South Atlantic. Three hundred thousand Europeans emigrate to Argentina in a normal year. Many of them work in the harvest fields and return after six months—a good immigrant traffic both ways. If a vessel goes out from the United States with exports, it does not have any assurance whatever of getting a full cargo back. The tonnage of exports from the United States is much larger than the tonnage of imports. That simply means that a vessel carrying exports out has no guarantee of getting a full cargo back. When she gets to her destination it may be necessary, in order that charges shall not accumulate—and they probably accumulate on an idle ship more rapidly than on any other piece of property in the world—that she shall take a cargo to some other part of the world and ultimately hope to get back to the United States. Much of the world's business is done on that kind of a triangular course.

The question is highly complicated, and will become more so as the proportion of natural products and food in our exports decreases and we increase our exports of manufactures, entering into competition with the manufactured products of the great maritime nations.

The question of government ownership has been brought up here. If the government is going to build or purchase vessels to carry American products, which for normal or abnormal reasons, such as the war, do not find their way freely to foreign countries, the question immediately comes up, what is that government vessel carrying our cotton and grain going to do when it gets to a European port and does not readily find returning cargo? It has got to choose between coming back partially or wholly in ballast, and therefore running up its cost, or following the normal commercial procedure, namely, taking a cargo for any point to which it can find one. If it takes a cargo for South America from Southampton, the question then arises, is that vessel serving the purpose for which the governmental expenditure was designed? If it then finds in the Argentine a cargo back to the United States, it is carrying the products of foreign countries twice for the once it is carrying the cargo of the United States.

MR. LOZIER: I want to ask a question. How does the Australian shipping compare with that of the other nations of the world?

MR. BERNARD N. BAKER: Very, very favorably; but not the largest. It is almost entirely under the British, not under the Australian flag. Australia has carried the protection of the seaman to a higher point than any other country.

MR. LOZIER: Is it coastwise or foreign?

MR. BAKER: Mainly coastwise.

PROFESSOR SELIGMAN: I should like to ask Mr. Baker to explain to us a little more fully that question of the full returning cargo.

MR. BAKER: I will take an actual case. We are very anxious to develop trade with the Argentine today. Any quantity of manufactured goods can be sent there; there is no trouble getting a cargo at all, but it is what we term in steamboat parlance "a one-legged trade," from the old sailing ship days of making a leg, as we called it. In other words, we have full cargoes down to Buenos Aires, but nothing coming back. Should we sit down and say that trade cannot be developed with Argentina? The Argentine government is particularly anxious for such development. In the consumption of coal alone, on the present basis, many millions a year could be saved if business could be arranged between the Argentine government and the United States. If arrangements could be made between the Argentine government and the United States government for getting the ships back in ballast, it would be very valuable.

Ships are designed capable of loading and unloading 5,000 tons of coal every twenty-four hours. The old saying is that a ship never pays but when she is running. Don't let a ship lie at the dock, or you lose your money. Just think of how cheaply we could carry coal there—at one-half the cost



of carrying it from Welsh ports. The ships go back to Europe loaded with grain, because exports from the Argentine are mainly what England and France and those countries want.

Those same ships would be at the call of our navy. When we sent our navy around the world we had to carry along coal in foreign ships, and we could not coal our vessels except in a very inconvenient way, women in many cases carrying coal on the tops of their heads to load our American navy! We could arrange this thing and interfere with no private interest. The Navy Department is refusing to allow any sailors to enlist in our navy except those that are American citizens. I think that answers Professor Seligman's question about a one-legged trade. If not, I should like to add to it.

MR. PATCHIN: It may be true that the conditions under which the ships return in ballast would be justified if there is some other object to be served beside the commercial success of the steamship line.

MR. BAKER: That promises commercial success, at least. We want an auxiliary to the navy. We want trained men. There is no question about it—that we do not have them. Would it be wise for our navy to build a lot of ships and let them rust out doing nothing? Can't they be profitably employed to assist commerce and not interfere with any individual enterprise? Can't you get together a body of men sufficiently wise and broad to bring about such an object? I believe you can. I believe in our American people. I believe they have the ability to do what they start out to do.

MR. WILLIAM R. MAHONEY: I should like to ask Mr. Baker if he has ever considered that at most of the Atlantic ports, except New York, particularly in the foreign trade, the vessels secure practically free dockings. The fact that these vessels in the foreign carrying trade are outside the jurisdiction of the interstate commerce commission deprives us of all control over them and the use which the railroads give them of their piers. These foreign steamship companies' demands,

made in contract with the railroads, could be controlled according to the rebate clause of our laws. As the use of the piers at other Atlantic ports than New York is given free, as it stands, the foreign steamship companies will be our greatest rivals in our efforts for a commercial marine, and notwithstanding all our other economic principles, they must first be controlled in the manner suggested.

MR. BAKER: Secretary McAdoo speaks of it particularly in his addresses in Indianapolis, San Francisco, and other places. He covers those very questions, but I do not think the railroads of this country should be called upon to support and help assist an interest which belongs to others. If there is anything to be done, they should be the ones to do it.

I think it was Mr. Henderson who spoke about the Seamen's Bill. I think I am right in saying that it cannot apply to foreign ships. We cannot place any of those conditions on foreign vessels.

MR. HENDERSON: The Attorney General's opinion related only to section 14, and it said that it should not apply to foreign countries whose laws approximated our own. As I have pointed out, I don't think that any foreign laws do at present approximate our own laws; so if it were correctly interpreted, I believe it would apply to all foreign ships.

MR. PATCHIN: Is it not also a fact that it has been ordered by the Department of Commerce that the law shall not be enforced? The Attorney General does not need to refer to the Department of Commerce to determine whether those laws approximate our own. He has declared that they do and that the laws shall not be enforced against those countries having reciprocity arrangements with us. Is not that the case?

MR. HENDERSON: I believe not. The Attorney General at the end of his opinion said that that was a question for the determination of the inspection service primarily; that there could be an appeal to the courts from the service by any ship-

owner, but he himself did not pass upon what countries approximated our own and what did not.

MR. PATCHIN: Is it not true that the Secretary of Commerce has issued an order that it does not apply?

MR. HENDERSON: Yes.

MR. PATCHIN: So that today in the inspection the law is applying to American vessels and is not applying to foreign vessels?

MR. HENDERSON: Exactly. And the defect, as I tried to point out, was not in the Seamen's Law but in its interpretation; and so I think the American shipowners should apply to the Department and not to Congress.

MR. PATCHIN: In other words, the whole thing is not what the law of Congress says, but it is an interpretation by department officials.

MR. BAKER: The shipowners said in San Francisco: "All right; we have the ruling of the Department; we have the ruling of the Attorney General. But that does not say that the law will be similarly interpreted in the Supreme Court of the United States. When it comes to an act of Congress which they have attempted to put their own construction on, where are we?"

MR. PATCHIN: In your experience, about how long does it take to determine a question relating to shipping under the laws of the United States after it has been carried into the court?

MR. BAKER: A matter of five years. So the shipowner has to go on for five years. He has been obeying the law as far as he was able, so much so that he has had to go and beg Congress to pass a law stating what he could and could not do.

MR. ALEXANDER R. SMITH: Regarding the enforcement of the language test, you spoke of the possibility of the law being so altered as to allow alien officers to command American ships. Of course, the particular reason for that language test was to eliminate the Chinese. Have you any reason to believe that there are officers sufficiently acquainted with the Chinese language who should be permitted to command and officer American ships, so as to overcome in that way the provisions of the language test in the Seamen's Act?

MR. HENDERSON: I don't know whether there are Chinese officers or not, but I do think that American ships should be put on exactly the same basis as Japanese ships. The Japanese ships, as I understand it, employ Japanese officers and Japanese men; hence, since they understand each other's language, they are safe under the law; but the law compels an American ship to employ American officers. Now, if it allowed him to employ Japanese officers, he could then employ a Japanese crew.

MR. SMITH: We know, of course, that the act of last year provided for foreign masters and officers in connection with foreign-built vessels brought under the American flag, and it is in the power of the President, if he wishes to exercise it, to suspend the operation of the law now which requires that Americans, and Americans only, should command and officer American vessels. He only extended that provision to a limited extent. As I understand the law, he could have extended it to American-built vessels just as well as foreign-built vessels brought under the American flag. In that case, do you think that there are Chinese masters and officers available in sufficient number to supplant Americans in the command and officering of vessels, and if so, do you think that it would be wise that they should?

MR. HENDERSON: I do not quite see why that should be necessary. A Japanese ship need not employ a Chinese crew; it can employ a skilled Japanese crew.

MR. SMITH: I will extend that point to the Japanese. If there are Japanese masters and officers sufficiently numerous, available to command and officer American ships with their Japanese crews, would you think it desirable that they should command and officer American vessels?

MR. HENDERSON: From the point of view of safety, I think they are probably just as competent as American officers and crew, though I do not know much about it; but of course there may be other reasons—

MR. SMITH: It is the other reasons that I am trying to get you to state. Do you think it would be a good thing for the nation to have its merchant ships commanded and officered, and manned for that matter, by Japanese or Chinese?

MR. HENDERSON: I think it would be very unfortunate; but I think this should be remembered, that if by law we put a greater burden on American ships than on foreign ships, that action can be justified only if the government and not the ship-owners or the seamen are forced to pay for it. If there are general reasons of policy, naval policy, or broader questions of social policy, which compel American shipowners to employ American officers and American seamen, then I can see no escape from the conclusion that there ought to be a subsidy to counterbalance as closely as possible the added expense. Whether that should be done or not is a difficult question. Most foreign countries have considered it better not to do so. England and most of the maritime Mediterranean powers, with the exception of Italy, have now provided that a seaman and officer of any country, as long as he is competent, can be employed on a national vessel. Whether the United States will come over to that way of thinking, is a question of policy.

MR. LOZIER: I understand the object of this Seamen's Act was to keep out Japanese officers and Japanese crews.

MR. HENDERSON: The object of the act, I suppose, was

largely safety at sea—largely the safety of the passengers. In shipping between the United States and South America, both English and American ships are on precisely the same footing.

MR. SMITH: I had occasion to be in Portland, Me., not long ago and there met Mr. Andrew Furuseth, who is really the author of the Seamen's Act. I have his word for this statement, that when he was over at the Bush Terminal recently, there were nineteen vessels there, two of them American, two Norwegian, and fifteen British. He said that the crews of every one of these vessels—I have his word for it only—were Chinese or Lascars or Orientals.

MR. GENNERT: I should like to ask Mr. Baker one question. Mr. Baker made the statement that, in his opinion, from the practical point of view, the only way in which the question could be solved would be by the institution of a board along the lines of the British Board of Trade. Is it possible in this country to induce Congress to pass such a bill without a tremendous campaign of education, and if it is not, along what lines should that campaign of education be laid out?

MR. BAKER: Undoubtedly it should be a campaign of education. The people today, all over this country, are wide awake to the absolute necessity of something being done. The only question is that we must go before the people united as to what we want, sacrificing our own personal interests for the benefit of the whole country.

MR. GENNERT: Is there any organization or association whose primary object it is to carry on such a campaign of education?

MR. BAKER: You have this National Foreign Trade Council. Unfortunately, criticism is made that it is mainly a New York institution. I think out of 40 members, about half represent New York. I have heard that criticism in the West.



They say: "A great section of this country believes in government ownership and operation, but the Trade Council says it ought not to be done under any circumstance." In the Central West, as nearly as I can gather, they believe in government ownership and operation. On the Pacific coast they object to the La Follette Bill. This bill does not affect the Atlantic coast so much.

MR. GENNERT: As you justly said earlier in your remarks, the differences of opinion with respect to a central bank were just as great as the diversities in opinion at the present time with respect to the shipping bill. We all saw the development of opinion down to the passage of the Federal Reserve Act and observed that the campaign of education was carried on among the bankers by conferences and among the public by the press. Is it not possible by a proper organization to carry on a like campaign in favor of shipping?

MR. BAKER: What carried that bill was the opposition of the bankers' associations to the measures in it. Six months before the bill was passed they condemned it every way.

MR. GENNERT: Quite true; but they were not opposed to the bill itself as a bill. They were opposed to certain provisions of the bill. In other words, they wanted one central bank but they didn't want to accept this particular arrangement.

MR. BAKER: I never saw a man that would not say, "We must have a merchant marine." There is only a difference of opinion as to the means.

MR. GENNERT: Is it the conviction of every man, woman and child that we need a merchant marine? In the great Central West and in the South, do the people feel that they need a merchant marine? They are so far away from the seaboard that they do not seem to see any reason in the proposition. You have traveled widely and you have talked with

them, and I want to hear from you whether you think that a campaign of education would be of value.

MR. BAKER: I should be very glad to give you some personal opinions. The President of the United States Chamber of Commerce told me that he has yet to find anyone that did not feel the need of it. In the referendum vote covering more than 350 chambers of commerce all over the United States, there was not a single body that did not vote to establish a merchant marine. They all have different ideas how to do it.

MR. GENNERT: With respect to the Federal Reserve Bill, there were a great many differences of opinion even within the political parties, but finally they all got together. Is it not possible by a campaign of education to get the shipping interests together? And if so, is there any organization which can start that campaign of education? If not, is it not possible that such an organization could be started?

MR. BAKER: It ought to be started—no question about that. It has been started again and again. We started one in Cleveland.

MR. SMITH: There is an organization called the National Marine League, whose President will address this body tomorrow forenoon, and it is quite an organization. It is just on the eve of an extensive campaign along the line that the gentleman suggests.

PROFESSOR SELIGMAN: May I call the attention of the gentlemen to a very interesting fact? Those who know the history of the Federal Reserve Act know that it is largely the result of one man's efforts, a man who was willing to sink his personal, individual interests in the wider necessities. If ever we are to have the solution of this problem, there has got to arise among us some man so big, so unselfish, and so broad-minded that he will be able to develop a scheme which will appeal to every one as the least of the evils; for every scheme, no matter

how it is developed, affects injuriously some interests. As we have seen today, there are three absolutely opposed views in this country among different interests. First, there are those who say that the way to get a merchant marine is to abolish existing laws, especially the La Follette law and other laws which interfere with equality, such as many of our old surviving laws. That group consists mainly of ship-owners themselves—who are opposed by the laborers and others. Second, we have the class of people who maintain that the only way to develop a merchant marine is by some form of shipping subsidies. That group includes another class of shipowners together with some members of the public, but it is opposed, whether wisely or unwisely I shall not venture to say, by the community at large. Third, there is the class, represented as we have heard today in the Middle West and elsewhere, who believe that the only solution is government intervention—either in the modified form of a shipping board or in the more developed form of actual government ownership and operation.

Before we can succeed in getting a comprehensive measure on our statute-books we shall need a man able to harmonize those three conflicting points of view and to propose a measure which will contain what is best in all of them and to eliminate what is bad in any of them. Until we find such a man, I am afraid we shall continue to fight, and I fear that the American flag will continue to disappear from the sea.

MR. PATCHIN: Just one point. Mr. Baker made an observation regarding the personnel of the National Foreign Trade Council. While this is not the place to bring up its personal affairs, I should like to state that this organization has a total possible membership of fifty, its total actual membership at the present time being forty-seven. Of this number, seventeen are from New York city, a smaller proportion than New York city's business bears to the foreign trade of the whole country. If these gentlemen are in New York, the businesses which they represent are everywhere but in New York. Some of them represent large corporations and their business is spread all over the United States.

MR. BAKER: They are doing good work and I want to encourage them, and I wish you could get more of the Central West into your organization.

MR. PATCHIN: And when you go out to get a prominent man from the Middle West to interest himself in foreign trade, he is a very difficult person to get, because he is not actually engaged in it.

Mr. Baker also stated that in the Middle West they seemed to be largely supporters of government ownership. That statement I do not believe is correct.

MR. BAKER: I said that the West discussed that question now because they know very little about subsidy and mail contracts. A year ago last August the representatives of the Middle West were loudest in their statements that nothing in the world would do but that the government should provide ships if nobody else did.

MR. PATCHIN: There has been only one really systematic effort to canvass opinion on this question. That was made by the Chamber of Commerce of the United States, and it was carefully and fairly done. Several questions were submitted. On the proposition of government ownership and operation of vessels, 88 per cent of votes were in the negative, and these were distributed as follows: 96 per cent in the East; 88 per cent in the Far West, that is, on the Pacific coast and the mountain slope; 84 per cent in the Middle West; and 80 per cent in the South. In other words, the vote against government ownership did not fall below 80 per cent of the commercial organizations belonging to the Chamber of Commerce of the United States in any section of the country.

In the referendum above mentioned, a total of five hundred and fifty-four votes was filed in favor of subsidies and one hundred and eighty-nine against them. Each vote represents a commercial organization belonging to the Chamber of Commerce of the United States, and 75 per cent of the votes were in favor of the principle, distributed as follows: In the East,

in favor of subsidy, 79 per cent of the replies; in the Middle West, 68 per cent; in the Far West, 54 per cent; and in the South, 96 per cent.

I wish to say that the National Foreign Trade Council has not declared for subsidies in any form. Its special declaration is for creation of a government shipping board to recommend to Congress a business-like and effective policy for the up-building of our merchant fleet with due regard to American wages and living conditions, the national defense and foreign trade.

PROFESSOR HENRY R. SEAGER:<sup>1</sup> To the generous mind, there seems at first thought something a little sordid about discussing ways and means of developing our American trade when Europe is pouring out its life and treasure in this terrible war. But that I submit is a superficial view. The European war is a solemn warning to us so to establish our international relations that the interest of all will be clearly promoted by the maintenance of peace, clearly injured by war or rumors of war. There is no economic truth more firmly established than that foreign trade grows by what it feeds upon. In taking thought how we may expand our trade with South America and the Orient at this time, we are taking thought, not with a view to snatching from our European brothers their trade when they are engaged in the business of killing one another, but with a view to establishing what Confucius called "the great peace" on the only solid foundation upon which international peace can rest, that is, mutual understanding and mutual interest in the preservation of peaceful relations.

That thought is particularly pertinent in connection with the first topic that is to be presented to us this afternoon. Our South American neighbors are in need of capital to develop their resources. Impoverished by war, Europe will be in no

<sup>1</sup> Introductory remarks as presiding officer, November 13, 1915.

position to supply capital. If the needed capital is to come from outside sources, it must come largely from the United States. In providing that capital, we shall help South American countries to develop their industries and help them to increase their purchases not only of our goods but of the goods of all countries with which they have trade relations. We shall increase not merely *our* trade, but the world's trade, when the war is over, by providing an increased capacity to produce and sell, and therefore an increased capacity to buy.

MR. SRINIVAS R. WAGEL, of India: With reference to the statements made by Mr. Straight and Mr. Thomas, one important point has unfortunately been missed. In trading with China, you not only have to give the goods, but you also have to give the money to buy the goods. It is more or less the same in South America. The reason why Germany as well as Japan succeeded was that they were willing to give very long credits. If they did not give such credits, they would not be able to keep their factories running. This is especially true of Japan, for Japan practically lives on the Chinese market. They find that they do not lose by giving long credits.

The European nations are able to sell much more than America also because their interest rates are low; and even though in the China trade profits are small, they are big enough to induce Europeans to carry on the trade. Owing to the enormous business and the big profits in your own country, you have not cared to finance Chinese trade.

German and Japanese merchants have taken special care to study the Chinese. They have gone into the interior, studied what the Chinese want, and have had lines of goods manufactured especially for the Chinese trade. The traders of no other nations have done that, and I might say, from my experience in China, that American merchants have not cared to do it. I do not know the reason, but the fact remains that they have not cared to do it.

Again, Mr. Straight spoke about the open door and co-operation in China. You cannot blame the Chinese for not believing in the good faith of the United States, because, al-



though they have every reason to believe in such good faith, they have seen so much of the methods of other foreign nations, and they can't quite distinguish between the interests and aspirations of the United States and those of the European nations. Practically every European nation has been looking with a greedy eye on China, and when the United States co-operated with those countries, China was naturally suspicious. It is no doubt true that Secretary Hay's open door policy was the best for China, and it is known everywhere that America is the one nation that has been the real friend of that country. If the Chinese have not appreciated it, it is due to the fact that by co-operating with the other nations the American government came under the suspicion of the Chinese.

One other point which Mr. Thomas mentioned was that of control over Chinese finance and the increase of taxation and customs duties. There is too much control already over Chinese finance. I do not say that the foreign nations and foreign governments could not teach China much that she needs to learn; but the "teaching" that is going on just now is only taking away the initiative and independence of China. Take the customs, for example. Instead of helping the Chinese learn the methods and in the end turning the control of customs over to them, the present method aims to perpetuate a system by which the Chinese will lose more and more of the control over their own affairs. Any government that countenances such control is certainly not liked by the Chinese. The Chinese know that America does not want to bring China under its tutelage or under the tutelage of the foreign powers, but when the United States co-operates with other powers, that do want to reduce the independence of China, the Chinese do not look upon joint action with favor. Therefore, I do not think that the plan of co-operation of America with the other nations will help, so long as the policy remains what it is at present.

PROFESSOR WILLIAM R. SHEPHERD: <sup>1</sup> Our topic for this

<sup>1</sup> Introductory remarks as presiding officer, November 13, 1915.

morning is "Safety at Sea and the Protection of American Seamen." Those who go down to the sea in ships are men whose achievements have always gripped the human heart far more than have exploits on land. From the days of Jason and Ulysses onward through Columbus and Magellan and Captain Cook, the individuals who have written their names with greatest glory among the most valiant of their kind were sailors. Exalt them as you will, and yet I think that all of us have a closer attachment to Mother Earth than we have to Neptune and his elements. It is especially fitting that, where we have under consideration the career of men who expose themselves to the most perilous of activities, we should bear in mind that all that is humanly possible to assure their comfort, and the welfare and safety of the people committed to their care, should be done. It is not, however, solely a question of safety at sea for the protection of American seamen that has to be treated. That forms part of the broader theme of how to reconstruct our American mercantile marine, to place once more upon the seas of the world the banner that signifies the independence and the national greatness of our country—in a word, to "keep the flag flying."

Time was when the American flag could be seen the world over; now the sight of it is comparatively rare. We have committed the care of our goods and chattels to foreigners. It remains to be seen whether it will be feasible for us once more to place that beloved flag where it ought to be, not in hostile competition but in friendly rivalry. Yet, while endeavoring to assure safety at sea and to protect American seamen, we must recall that, although they have interests to be defined, those whose ships they sail are also entitled to consideration. There are many features about the American Seamen's Act, the so-called "La Follette Law," recently enacted, which appeal to all lovers of humanity, and to those in particular who have the welfare of sailors at heart. There are certain other characteristics of it which might seem to be well worth remedying in the interests of another class who also are our fellow-citizens, those who own the ships, and without whose co-operation and capital and enterprise the vessels could not sail.

CAPTAIN IRA HARRIS: I am an American seaman. I have always been an American seaman, and I want to say just a word in behalf of the American seaman, and perhaps in particular in behalf of Andrew Furuseth, president of the International Seamen's Union, who has been severely criticized on this platform. I may say that I am perhaps well informed in regard to American seamen. I served as an officer in the navy throughout the civil war and the Spanish-American war. I know how badly we were off for seamen and the difficulties of getting seamen in both of those wars. During the Spanish-American war I had charge of the repair ship of the Atlantic squadron. I have been an officer of the American Steel Barge Company for six or seven years on the lakes. After the Spanish war I was marine superintendent of the army transport service and fitted out the transports that we sent to Manila. After the Slocum disaster I was telegraphed for and appointed supervising inspector of steamboats on this coast. I am therefore in touch with the seamen of the navy, of the army transport service, of the lakes and of this coast. I say this simply to give emphasis to what I have to say in behalf of American seamen. There are no seamen in God's world who can come up to the American seamen. When Andrew Furuseth came back, resigned from that commission which was in session in London, he told me here in New York that he would like me to write to certain friends in Congress and the Senate in regard to the Seamen's Bill. I told him, "I am not capable of discussing the Seamen's Bill except in regard to boats and managing boats." I told him: "I have a reputation, perhaps undeserved, in the navy for knowing how to handle small boats with some success. I also had charge of the navy men in the wreck of the Infanta Maria Teresa, and of the transfer in the tremendous sea encountered when one hundred and fourteen men were taken from the wreck to the tug Merritt. I was the last man to jump overboard, and that transfer has given me a little local reputation among our men. I will write on two points, and two points only. One is that every ship under the American flag should have lifeboat capacity for everybody on board, crew as well as passenger; and

the other is that two men—you can call them able seamen or lifeboat men or what you please—that know how to handle a boat be made a minimum allowance which can safely lower and take care of that boat.” That is what I did.

Now, as regards this Seamen’s Union. I have told you who I am and what my experience has been. You can’t say that I am a class legislator. In fact, I have a reputation such that I don’t think anybody will accuse me of that; but the seamen have a right to organize.

In 1908, I think, the local inspector in Duluth, Captain Monaghan, ordered better hatch protection on a ship. The owners objected, and took their appeal to Mr. John D. Sloane, who was supervising inspector of that district. Sloane is a retired engineer officer of the navy. He sustained the local inspectors and said that those hatches must be better protected. They took an appeal from him to the supervising inspector general, who took the matter up with the board of supervising inspectors. As I was posted in regard to it, they turned it over to me. I maintained that the hatches were the cause of loss of life on those freight ships of the Great Lakes. At that time twelve ships had gone down on the Great Lakes without a survivor to tell the cause of their loss of life, and I argued that it was the hatches that were not sufficiently protected, and when the sea came over the hatches, the ship filled at once and went down by the head before they had time to lower a boat. The supervising inspector general overruled that, and gave his decision that they did not have to protect their hatches.

In November 1913 there was a big gale, and a great many more vessels were lost. And last December the secretary of the Seamen’s Union wrote a communication to the Secretary of Commerce in which he stated the facts concerning the loss of life of those crews. Two hundred and forty seamen went down in those November gales. He showed that it was a lack of hatch protection that caused those ships to go down without a single survivor, and he preferred charges against the steamboat inspection officers for not investigating. They refused to investigate, and they have not yet investigated those losses.

Thirty-four ships have gone down without a word being said. The Seamen's Union are fighting for protection of life afloat. Personally, I think they have a right to fight for it.

MRS. KELLEY: As one of the speakers, I wish we might express our appreciation of the action of Captain Harris in giving us the only word in this entire conference from the one set of people who are most intimately and permanently concerned in this legislation. I was beginning to wonder how this all looked to the seamen. I think if it were not for this volunteer word we should be in a very singularly lopsided condition. I personally wish to express my gratitude for it.

PROFESSOR SHEPHERD: In fact, that has made this an exceedingly well-rounded discussion, inasmuch as all the sides have been discussed.

PROFESSOR HENRY W. FARNAM, Yale University: I have only one qualification for speaking, and that is that I represent the very large class of shirkers whom Mrs. Kelley has challenged. I want to respond to that challenge in order to ease my conscience. I, too, am a traveler, and the effects of our laws came home to me in a personal way some years ago when I had the misfortune to be shipwrecked. I will not state on which steamer or on what line, or even on what route, but it was a coasting steamer. At a quarter past eleven at night our steamer was caught in the tide; she dashed onto the rocks, stove a hole eight feet long and four feet wide in her side, and in half an hour she went down. Fortunately we were in shallow water, but we didn't know how deep the water was underneath us. We got on life-preservers, and when we found that the electric lights were going out and that the water was up to our waists on the deck, we thought it time to take to the water and get away to avoid the suction. So we swam off, but then returned to the steamer, because we found that she touched bottom instead of disappearing entirely.

We finally got ashore in boats, and did exactly what Paul did under the same circumstances a good many years ago; we made a fire of sticks and awaited the dawn. As I was sit-

ting around with the seamen trying to keep warm (of course, we were all soaked to the skin), one man said, "I have lost everything I had." — "How is that?" — "A seaman hasn't much but his trunk, and my trunk has gone down." — "Won't you get any compensation from the company?" — "Not a bit; not only that, but my wages stop also. The ship went down at a quarter of twelve and my wages stopped at a quarter of twelve."

And we also experienced the law of the sea, which has been so well set forth by jurists today, when, having been picked up by a passing steamer, he got back to port. We took counsel and found, sure enough, that our entire claims were limited to this ship lying in the water several hundred miles up the coast. The company said: "Certainly; if you have any claims, all you have to do is to go and raise that vessel, and you can satisfy your claims for lost baggage out of the vessel."

But we found subsequently that this ship, which as I say wasn't entirely under water, was raised, and is now running on the same route, and this summer some of my friends took the same trip on that same steamer. They said: "We are going on your ship this summer. What an amusing thing that is!"

I think, as Mrs. Kelley said, that until the traveling public are willing to pay a little more attention to safety than they do to elaborate luxuries, we shall never be free from taking great risks. Think of the elaborate smoking rooms, great restaurants, luxuries beyond those which most of us ever enjoy on land, great swimming-pools and all that kind of thing. Until we are willing to pay more attention to safety than to those other things, we can hardly expect the owners of ships to insure safety. It seems to me that they will give us what we, as travelers, demand.



PROCEEDINGS OF THE MEETING OF THE ACADEMY OF POLITICAL SCIENCE HELD IN NEW YORK NOVEMBER 12 AND 13, 1915

THE autumn meeting of the Academy of Political Science, held on November 12 and 13, 1915, was devoted to the American Mercantile Marine. Three sessions were held in Earl Hall, Columbia University, and a dinner session at Hotel Astor. Prof. Edwin R. A. Seligman presided at the first session; Prof. Henry R. Seager at the second session; Mr. Irving T. Bush at the dinner session; and Prof. William R. Shepherd at the fourth session. The program follows:

FIRST SESSION

Friday, November 12, 1915  
Earl Hall, Columbia University

THE DEVELOPMENT OF AMERICAN SHIPPING

1. Introductory Address by the Presiding Officer
2. Recent Historical Development of American Shipping  
*By Welding Ring*
3. Probable Effects of the War on the Foreign Trade of the United States  
*By G. G. Huebner*
4. Present Problems of American Shipping  
*By Gerard Henderson*

Discussion: *Bernard N. Baker* and *Albert McC. Mathewson*  
General Discussion

SECOND SESSION

Friday, November 12, 1915  
Earl Hall, Columbia University

AMERICAN FOREIGN TRADE AND TRANSPORTATION RELATIONS

1. Introductory Address by the Presiding Officer
2. The Relation of Investments to South American Trade  
*By Charles M. Muchnic*
3. Governmental Policy and Trade Relations with the Far East  
*By Willard D. Straight*  
*By Eugene P. Thomas*

## 4. The Tariff in Relation to Foreign Trade

*By Guy Emerson*

Discussion: *William R. Shepherd*

General Discussion

## THIRD SESSION

Friday, November 12, 1915

Hotel Astor

WHAT CONGRESS SHOULD DO TO DEVELOP AN  
AMERICAN MERCANTILE MARINE

1. Introductory Address by the Presiding Officer
2. What Congress has Done to Build Up an American Mercantile Marine

*By Duncan U. Fletcher*

3. The American Merchant Marine

*By John W. Weeks*

4. What Congress Should Do to Develop an American Mercantile Marine

*By Robert L. Owen*

## FOURTH SESSION

Saturday, November 13, 1915

Earl Hall, Columbia University

SAFETY AT SEA, AND THE PROTECTION OF  
AMERICAN SEAMEN

1. Introductory Address by the Presiding Officer
2. The La Follette Law from the Consumers' Point of View
3. Problems Growing Out of the Titanic Disaster
4. The Seamen's Act and its Probable Effect on American Shipping

*By Emerson E. Parvin*

Discussion: *R. de Tankerville, Arthur K. Kuhn and P. H. W. Ross*

General Discussion